Internal Revenue
bulletin

Bulletin No. 1999–50
December 13, 1999

HIGHLIGHTS OF THIS ISSUE

These synopses are intended only as aids to the reader in identifying the subject matter covered. They may not be relied upon as authoritative interpretations.

INCOME TAX

Rev. Rul. 99–49, page 667.

CPI adjustments for below-market loans for 2000. The amount that section 7872(g) of the Code permits a taxpayer to lend to a qualified continuing care facility without incurring imputed interest is adjusted for years 1987–2000. Rev. Rul. 98–59 supplemental and superseded.

Rev. Rul. 99–50, page 656.

Section 1274A inflation-adjusted numbers for 2000. This ruling provides the dollar amounts, increased by the 2000 inflation adjustment, for section 1274A of the Code. Rev. Rul. 98–58 supplemented and superseded.

Rev. Rul. 99–52, page 652.

1999 base period T-bill rate. The base period T-bill rate, under section 995 of the Code, is 4.80 percent for the period ending September 30, 1999.

Rev. Rul. 99–53, page 657.

Interest rates; underpayments and overpayments. The rate of interest determined under section 6621 of the Code for the calendar quarter beginning January 1, 2000, will be 8 percent for overpayments (7 percent in the case of a corporation), 8 percent for underpayments, and 10 percent for large corporate underpayments. The rate of interest paid on the portion of a corporate overpayment exceeding $10,000 is 5.5 percent.

T.D. 8844, page 661.

Final regulations clarify the tax consequences for an existing entity that makes an election under section 7701 of the Code to change its classification for federal tax purposes.

REG–110385–99, page 670.

Proposed regulations under section 7701 of the Code relate to transactions involving certain foreign eligible entities. A public hearing is scheduled for January 31, 2000.

EMPLOYEE PLANS

Rev. Rul. 99–51, page 652.

Nondiscrimination; duplicate benefits. This ruling provides that the duplication of benefits for highly compensated employees may result in the failure of plans to satisfy the nondiscrimination requirements of section 401(a)(4) of the Code.

EMPLOYMENT TAX

Notice 99–56, page 668.

This notice provides tables that show the amount of an individual's income that is exempt from a notice of levy used to collect delinquent tax in 2000.

ADMINISTRATIVE

Announcement 99–113, page 673.

This document contains a partial withdrawal of proposed regulations (REG–105162–97, 1997–2 C.B. 649) relating to special basis adjustments under section 743 of the Code.

Announcement 99–114, page 674.

Publication 3386, Tax Guide for Veterans' Organizations, which provides general information regarding tax exemption under section 501(c) of the Code, is now available.

Finding Lists begin on page ii.

Department of the Treasury
Internal Revenue Service

The IRS Mission

Provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all.

Introduction

The Internal Revenue Bulletin is the authoritative instrument of the Commissioner of Internal Revenue for announcing official rulings and procedures of the Internal Revenue Service and for publishing Treasury Decisions, Executive Orders, Tax Conventions, legislation, court decisions, and other items of general interest. It is published weekly and may be obtained from the Superintendent of Documents on a subscription basis. Bulletin contents are consolidated semiannually into Cumulative Bulletins, which are sold on a single-copy basis.

It is the policy of the Service to publish in the Bulletin all substantive rulings necessary to promote a uniform application of the tax laws, including all rulings that supersede, revoke, modify, or amend any of those previously published in the Bulletin. All published rulings apply retroactively unless otherwise indicated. Procedures relating solely to matters of internal management are not published; however, statements of internal practices and procedures that affect the rights and duties of taxpayers are published.

Revenue rulings represent the conclusions of the Service on the application of the law to the pivotal facts stated in the revenue ruling. In those based on positions taken in rulings to taxpayers or technical advice to Service field offices, identifying details and information of a confidential nature are deleted to prevent unwarranted invasions of privacy and to comply with statutory requirements.

Rulings and procedures reported in the Bulletin do not have the force and effect of Treasury Department Regulations, but they may be used as precedents. Unpublished rulings will not be relied on, used, or cited as precedents by Service personnel in the disposition of other cases. In applying published rulings and procedures, the effect of subsequent legislation, regulations, court decisions, rulings, and procedures must be considered, and Service personnel and others concerned are cautioned against reaching the same conclusions in other cases unless the facts and circumstances are substantially the same.

The Bulletin is divided into four parts as follows:

Part I.—1986 Code.
This part includes rulings and decisions based on provisions of the Internal Revenue Code of 1986.

Part II.—Treaties and Tax Legislation.
This part is divided into two subparts as follows: Subpart A, Tax Conventions, and Subpart B, Legislation and Related Committee Reports.

Part III.—Administrative, Procedural, and Miscellaneous.
To the extent practicable, pertinent cross references to these subjects are contained in the other Parts and Subparts. Also included in this part are Bank Secrecy Act Administrative Rulings. Bank Secrecy Act Administrative Rulings are issued by the Department of the Treasury's Office of the Assistant Secretary (Enforcement).

Part IV.—Items of General Interest.
This part includes notices of proposed rulemakings, disbarment and suspension lists, and announcements.

The first Bulletin for each month includes a cumulative index for the matters published during the preceding months. These monthly indexes are cumulated on a semiannual basis, and are published in the first Bulletin of the succeeding semiannual period, respectively.

For sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402.

INSERT

PICTURES

HERE

Part I. Rulings and Decisions Under the Internal Revenue Code of 1986

Section 401.—Pension, Profit-Sharing, Stock Bonus Plans, etc.

26 CFR 1.401(a)(4)–1: Nondiscrimination requirements of section 401(a)(4).

Nondiscrimination; duplicate benefits. This ruling provides that the duplication of benefits for highly compensated employees may result in the failure of plans to satisfy the nondiscrimination requirements of section 401(a)(4) of the Code.

Rev. Rul. 99–51

Employer A maintained one plan, Plan X, a calendar year defined benefit plan, benefiting all of A's highly compensated employees within the meaning of § 414(q) of the Internal Revenue Code of 1986 (HCEs) and all of A's employees who are not highly compensated employees (NHCEs). Under Plan X, each employee's accrued benefit equals an annual benefit commencing at normal retirement age of one percent of average annual compensation per year of service. A "year of service" includes all years of service with Employer A. There are no related or predecessor employers nor is service under any other plan taken into account under Plan X.

In November 1997, Plan X was amended effective as of December 31, 1997 (the spin-off date) to become two plans: Plan X-H covering Employer A's HCEs and Plan X-N covering Employer A's NHCEs. The assets and benefit liabilities under Plan X as of the spin-off date were allocated between Plan X-H and Plan X-N in accordance with § 414(l). Pursuant to the terms of the amendment, NHCEs were excluded from participation in Plan X-H and HCEs were excluded from participation in Plan X-N. In addition, the amendment provided that there would be no benefit accruals under Plan X-H with respect to periods after the spin-off date (i.e., Plan X-H was "frozen" as of the spin-off date). Benefit accruals continued under Plan X's original formula for participants in Plan X-N.

Employer A later amended Plan X-N to include the HCEs and to provide the HCEs with an annual benefit commencing at normal retirement age equal to one percent of average annual compensation per year of service with Employer A. The years of service included in the computation of the HCEs' accrued benefit under Plan X-H were included in the computation of their benefits under Plan X-N as well. Benefits employees accrued under Plan X-N were not offset by their accrued benefits under Plan X-H.

Plan X, Plan X-H and Plan X-N are the only plans that have been maintained by Employer A, and none of these plans have been top-heavy within the meaning of § 416 for any plan year.

Section 401(a)(4) provides that contributions or benefits under a plan qualified under § 401(a) must not discriminate in favor of HCEs.

Section 1.401(a)(4)–1(c)(2) of the Income Tax Regulations provides that the regulations under § 401(a)(4) must be interpreted in a reasonable manner consistent with the purpose of preventing discrimination in favor of HCEs.

Section 1.401(a)(4)–5(a)(1)&(2) provides that, for determining whether the timing of a plan amendment or series of amendments has the effect of discriminating significantly in favor of HCEs, a plan amendment includes the establishment or termination of the plan, and any change in the benefits, rights, features or benefit formulas under the plan. Whether the timing of a plan amendment or series of plan amendments has the effect of discriminating significantly in favor of HCEs is determined at the time the plan amendment first becomes effective based on all relevant facts and circumstances. These include the relative numbers of current HCEs and NHCEs affected by the plan amendment, the relative accrued benefits of current HCEs and NHCEs before and after the plan amendment and any additional benefits provided to current HCEs and NHCEs under other plans.

Section 1.401(a)(4)–11(d)(2) provides that, on the basis of all relevant facts and circumstances, the manner in which employees' service is credited for all purposes under the plan must not discriminate in favor of HCEs.

Section 1.401(a)(4)–11(d)(3) provides that, except as otherwise provided, service for periods in which an employee did not participate in the plan may not be taken into account in determining whether the plan satisfies § 401(a)(4).

Held, under the facts of this case there is a duplication of service and benefits that discriminates in favor of HCEs in violation of § 401(a)(4).

DRAFTING INFORMATION

The principal author of this revenue ruling is Kenneth Conn of the Employee Plans Division. For further information regarding this revenue ruling, call the Employee Plans Division's taxpayer assistance telephone service at (202) 622-6074/6075 (not toll-free numbers) between 1:30 and 3:30 p.m. Eastern Time, Monday through Thursday, or Mr. Conn at (202) 622-6214 (also not a toll-free number).

Section 483.—Interest on Certain Deferred Payments

26 CFR 1.483–1: Computation of interest on certain deferred payments.

As defined by section 1274A, the definitions for both "qualified debt instruments" and "cash method debt instruments" have dollar ceilings on the stated principal amount. The limits to the stated principal amount are adjusted for inflation for sales or exchanges occurring in the 2000 calendar year. See Rev. Rul. 99–50, page 656.

Section 995.—Taxation of DISC Income to Shareholders

1999 base period T-bill rate. The base period T-bill rate, under section 995 of the Code, is 4.80 percent for the period ending September 30, 1999.

Rev. Rul. 99–52

Section 995(f)(l) of the Internal Revenue Code provides that a shareholder of a DISC shall pay interest each taxable year in an amount equal to the product of the shareholder's DISC-related deferred tax liability for the year and the "base period T-bill rate." Under section 995(f)(4), the base period T-bill rate is the annual rate of interest determined by the Secretary to be equiva-

lent to the average investment yield of United States Treasury bills with maturities of 52 weeks which were auctioned during the one-year period ending on September 30 of the calendar year ending with (or of the most recent calendar year ending before) the close of the taxable year of the shareholder. The base period T-bill rate for the period ending September 30, 1999, is 4.80 percent.

Pursuant to section 6622 of the Code, interest must be compounded daily. The table below provides factors for compounding the base period T-bill rate daily for any number of days in the shareholder's taxable year (including a 52-53 week accounting period) for the 1999 base period T-bill rate. To compute the amount of the interest charge for the shareholder's taxable year, multiply the amount of the shareholder's DISC-related deferred tax liability (as defined in section 995(f)(2)) for that year by the base period T-bill rate factor corresponding to the number of days in the shareholder's taxable year for which the interest charge is being computed. Generally, one would use the factor for 365 days. One would use a different factor only if the shareholder's taxable year for which the interest charge being determined is a short taxable year, if the shareholder uses the 52-53 week taxable year, or if the shareholder's taxable year is a leap year.

For the base period T-bill rates for the periods ending in prior years, *see:* Rev. Rul. 86–132, 1986–2 C.B. 137; Rev. Rul. 87–129, 1987-2 C.B. 196; Rev. Rul. 88–94, 1988–2 C.B. 301; Rev. Rul. 89–116, 1989–2 C.B. 197; Rev. Rul. 90–96, 1990–2 C.B. 188; Rev. Rul. 91–59, 1991–2 C.B. 347; Rev. Rul. 92–98, 1992–2 C.B. 201; Rev. Rul. 93–77, 1993–2 C.B. 253; Rev. Rul. 94–68, 1994–2 C.B. 177; Rev. Rul. 95–77, 1995–2 C.B. 122; Rev. Rul. 96–55, 1996–2 C.B. 57; Rev. Rul. 97–49, 1997–2 C.B. 89; and Rev. Rul. 98–54, 1998–56 I.R.B. 5.

DRAFTING INFORMATION

The principal author of this revenue ruling is David Bergkuist of the Office of the Associate Chief Counsel (International). For further information about this revenue ruling, contact Mr. Bergkuist on (202) 622-3850 (not a toll-free call).

1999 ANNUAL RATE
COMPOUNDED DAILY

DAYS	4.80 PERCENT FACTOR
1	.000131507
2	.000263031
3	.000394572
4	.000526131
5	.000657707
6	.000789301
7	.000920911
8	.001052539
9	.001184184
10	.001315847
11	.001447527
12	.001579224
13	.001710939
14	.001842670
15	.001974420
16	.002106186
17	.002237970
18	.002369771
19	.002501590
20	.002633425
21	.002765279
22	.002897149
23	.003029037
24	.003160942
25	.003292865
26	.003424805
27	.003556762
28	.003688736
29	.003820728
30	.003952738
31	.004084764
32	.004216808
33	.004348870
34	.004480948
35	.004613045
36	.004745158
37	.004877289
38	.005009437
39	.005141603
40	.005273786
41	.005405986
42	.005538204
43	.005670439
44	.005802692
45	.005934962
46	.006067249
47	.006199554
48	.006331876
49	.006464215
50	.006596572
51	.006728947
52	.006861338
53	.006993748
54	.007126174
55	.007258618
56	.007391080
57	.007523558
58	.007656055
59	.007788568
60	.007921099
61	.008053648
62	.008186214
63	.008318797
64	.008451398
65	.008584016
66	.008716652
67	.008849305
68	.008981976
69	.009114664
70	.009247369
71	.009380092
72	.009512833
73	.009645591
74	.009778366
75	.009911159
76	.010043969
77	.010176797
78	.010309642
79	.010442504
80	.010575384
81	.010708282
82	.010841197
83	.010974130
84	.011107080
85	.011240047
86	.011373032
87	.011506035
88	.011639055
89	.011772092
90	.011905147
91	.012038220

DAYS	4.80 PERCENT FACTOR	DAYS	4.80 PERCENT FACTOR	DAYS	4.80 PERCENT FACTOR
92	.012171309	140	.018580253	187	.024894996
93	.012304417			188	.025029776
94	.012437542	141	.018714203	189	.025164575
95	.012570684	142	.018848171	190	.025299391
		143	.018982156		
96	.012703844	144	.019116159	191	.025434225
97	.012837022	145	.019250180	192	.025569076
98	.012970217			193	.025703946
99	.013103429	146	.019384219	194	.025838833
100	.013236659	147	.019518275	195	.025973738
		148	.019652348		
101	.013369907	149	.019786439	196	.026108660
102	.013503172	150	.019920548	197	.026243601
103	.013636455			198	.026378559
104	.013769755	151	.020054675	199	.026513534
105	.013903072	152	.020188819	200	.026648528
		153	.020322981		
106	.014036408	154	.020457160	201	.026783539
107	.014169760	155	.020591357	202	.026918568
108	.014303131			203	.027053615
109	.014436518	156	.020725572	204	.027188680
110	.014569924	157	.020859805	205	.027323762
		158	.020994055		
111	.014703347	159	.021128322	206	.027458862
112	.014836787	160	.021262608	207	.027593980
113	.014970245			208	.027729116
114	.015103721	161	.021396911	209	.027864269
115	.015237214	162	.021531231	210	.027999440
		163	.021665570		
116	.015370724	164	.021799926	211	.028134629
117	.015504253	165	.021934299	212	.028269836
118	.015637798			213	.028405061
119	.015771362	166	.022068691	214	.028540303
120	.015904943	167	.022203100	215	.028675563
		168	.022337527		
121	.016038541	169	.022471971	216	.028810841
122	.016172157	170	.022606433	217	.028946137
123	.016305791			218	.029081450
124	.016439442	171	.022740913	219	.029216781
125	.016573111	172	.022875410	220	.029352130
		173	.023009925		
126	.016706797	174	.023144458	221	.029487497
127	.016840501	175	.023279009	222	.029622882
128	.016974222			223	.029758284
129	.017107961	176	.023413577	224	.029893705
130	.017241718	177	.023548163	225	.030029143
		178	.023682766		
131	.017375492	179	.023817388	226	.030164599
132	.017509284	180	.023952027	227	.030300072
133	.017643094			228	.030435564
134	.017776921	181	.024086683	229	.030571073
135	.017910765	182	.024221358	230	.030706600
		183	.024356050		
136	.018044628	184	.024490760	231	.030842145
137	.018178507	185	.024625487	232	.030977708
138	.018312405			233	.031113289
139	.018446320	186	.024760233		

DAYS	4.80 PERCENT FACTOR
234	.031248887
235	.031384503
236	.031520138
237	.031655790
238	.031791459
239	.031927147
240	.032062852
241	.032198576
242	.032334317
243	.032470076
244	.032605853
245	.032741648
246	.032877460
247	.033013291
248	.033149139
249	.033285005
250	.033420889
251	.033556791
252	.033692711
253	.033828649
254	.033964604
255	.034100578
256	.034236569
257	.034372578
258	.034508605
259	.034644650
260	.034780713
261	.034916794
262	.035052892
263	.035189009
264	.035325143
265	.035461296
266	.035597466
267	.035733654
268	.035869860
269	.036006084
270	.036142326
271	.036278586
272	.036414864
273	.036551159
274	.036687473
275	.036823804
276	.036960154
277	.037096521
278	.037232906
279	.037369310
280	.037505731
281	.037642170
282	.037778627
283	.037915102
284	.038051595
285	.038188106
286	.038324635
287	.038461182
288	.038597746
289	.038734329
290	.038870930
291	.039007548
292	.039144185
293	.039280840
294	.039417512
295	.039554203
296	.039690911
297	.039827638
298	.039964382
299	.040101144
300	.040237925
301	.040374723
302	.040511540
303	.040648374
304	.040785226
305	.040922097
306	.041058985
307	.041195892
308	.041332816
309	.041469758
310	.041606719
311	.041743697
312	.041880694
313	.042017708
314	.042154741
315	.042291791
316	.042428860
317	.042565946
318	.042703051
319	.042840173
320	.042977314
321	.043114473
322	.043251649
323	.043388844
324	.043526057
325	.043663288
326	.043800536
327	.043937803
328	.044075088
329	.044212391
330	.044349712
331	.044487052
332	.044624409
333	.044761784
334	.044899177
335	.045036589
336	.045174018
337	.045311466
338	.045448931
339	.045586415
340	.045723917
341	.045861437
342	.045998975
343	.046136531
344	.046274105
345	.046411697
346	.046549307
347	.046686936
348	.046824582
349	.046962247
350	.047099930
351	.047237630
352	.047375349
353	.047513086
354	.047650841
355	.047788615
356	.047926406
357	.048064216
358	.048202043
359	.048339889
360	.048477753
361	.048615635
362	.048753535
363	.048891453
364	.049029390
365	.049167344
366	.049305317
367	.049443308
368	.049581317
369	.049719344
370	.049857389
371	.049995453

Section 1274.—Determination of Issue Price in the Case of Certain Debt Instruments Issued for Property

26 CFR 1.1274A–1: Special rules for certain transactions where stated principal amount does not exceed $2,800,000.

As defined by section 1274A, the definitions for both "qualified debt instruments" and "cash method debt instruments" have dollar ceilings on the stated principal amount. The limits to the stated principal amount are adjusted for inflation for sales or exchanges occurring in the 2000 calendar year. See Rev. Rul. 99-50, on this page.

Section 1274A.—Special Rules for Certain Transactions Where Stated Principal Amount Does Not Exceed $2,800,000

(Also, sections 1274, 483; 1.1274A–1, 1.483–1.)

Section 1274A inflation-adjusted numbers for 2000. This ruling provides the dollar amounts, increased by the 2000 inflation adjustment, for section 1274A of the Code. Rev. Rul. 98–58 supplemented and superseded.

Rev. Rul. 99–50

This revenue ruling provides the dollar amounts, increased by the 2000 inflation adjustment, for § 1274A of the Internal Revenue Code.

BACKGROUND

In general, §§ 483 and 1274 determine the principal amount of a debt instrument given in consideration for the sale or exchange of nonpublicly traded property. In addition, any interest on a debt instrument subject to § 1274 is taken into account under the original issue discount provisions of the Code. Section 1274A, however, modifies the rules under §§ 483 and 1274 for certain types of debt instruments.

In the case of a "qualified debt instrument," the discount rate used for purposes of §§ 483 and 1274 may not exceed 9 percent, compounded semiannually. Section 1274A(b) defines a qualified debt instrument as any debt instrument given in consideration for the sale or exchange of property (other than new § 38 property within the meaning of § 48(b), as in effect on the day before the date of enactment of the Revenue Reconciliation Act of 1990) if the stated principal amount of the instrument does not exceed the amount specified in § 1274A(b). For debt instruments arising out of sales or exchanges before January 1, 1990, this amount is $2,800,000.

In the case of a "cash method debt instrument," as defined in § 1274A(c), the borrower and lender may elect to use the cash receipts and disbursements method of accounting. In particular, for any cash method debt instrument, § 1274 does not apply, and interest on the instrument is accounted for by both the borrower and the lender under the cash method of accounting. A cash method debt instrument is a qualified debt instrument that meets the following additional requirements: (A) In the case of instruments arising out of sales or exchanges before January 1, 1990, the stated principal amount does not exceed $2,000,000; (B) the lender does not use an accrual method of accounting and is not a dealer with respect to the property sold or exchanged; (C) § 1274 would have applied to the debt instrument but for an election under § 1274A(c); and (D) an election under § 1274A(c) is jointly made with respect to the debt instrument by the borrower and lender. Section 1.1274A–1(c)(1) of the Income Tax Regulations provides rules concerning the time for, and manner of, making this election.

Section 1274A(d)(2) provides that, for any debt instrument arising out of a sale or exchange during any calendar year after 1989, the dollar amounts stated in § 1274A(b) and § 1274A(c)(2)(A) are increased by the inflation adjustment for the calendar year. Any increase due to the inflation adjustment is rounded to the nearest multiple of $100 (or, if the increase is a multiple of $50 and not of $100, the increase is increased to the nearest multiple of $100). The inflation adjustment for any calendar year is the percentage (if any) by which the CPI for the preceding calendar year exceeds the CPI for calendar year 1988. Section 1274A(d)(2)(B)

Rev. Rul. 99–50 Table 1

Calendar Year of Sale or Exchange	Inflation-Adjusted Amounts Under § 1274A 1274A(b) Amount (qualified debt instrument)	1274A(c)(2)(A) Amount (cash method debt instrument)
1990	$2,933,200	$2,095,100
1991	$3,079,600	$2,199,700
1992	$3,234,900	$2,310,600
1993	$3,332,400	$2,380,300
1994	$3,433,500	$2,452,500
1995	$3,523,600	$2,516,900
1996	$3,622,500	$2,587,500
1997	$3,723,800	$2,659,900
1998	$3,823,100	$2,730,800
1999	$3,885,500	$2,775,400
2000	$3,960,100	$2,828,700

Note: These inflation adjustments were computed using the All-Urban, Consumer Price Index, 1982-1984 base, published by the Bureau of Labor Statistics.

defines the CPI for any calendar year as the average of the Consumer Price Index as of the close of the 12-month period ending on September 30 of that calendar year.

INFLATION-ADJUSTED AMOUNTS

For debt instruments arising out of sales or exchanges after December 31, 1989, the inflation-adjusted amounts under § 1274A are shown in Table 1.

EFFECT ON OTHER DOCUMENTS

Rev. Rul. 98–58, 1998–52 I.R.B. 6 is supplemented and superseded.

DRAFTING INFORMATION

The principal author of this revenue ruling is Courtney Shepardson the Office of the Assistant Chief Counsel (Financial Institutions and Products). For further information regarding this revenue ruling contact Ms. Shepardson on (202) 622-3930 (not a toll-free call).

Section 6621.— Determination of Interest Rate

26 CFR 301.6621–1: Interest rate.

Interest rates; underpayments and overpayments. The rate of interest determined under section 6621 of the Code for the calendar quarter beginning January 1, 2000, will be 8 percent for overpayments (7 percent in the case of a corporation), 8 percent for underpayments, and 10 percent for large corporate underpayments. The rate of interest paid on the portion of a corporate overpayment exceeding $10,000 is 5.5 percent.

Rev. Rul. 99–53

Section 6621 of the Internal Revenue Code establishes the rates for interest on tax overpayments and tax underpayments. Under § 6621(a)(1), the overpayment rate beginning January 1, 2000, is the sum of the federal short-term rate plus 3 percentage points (2 percentage points in the case of a corporation), except the rate for the portion of a corporate overpayment of tax exceeding $10,000 for a taxable period is the sum of the federal short-term rate plus 0.5 of a percentage point for interest computations made after December 31, 1994. Under § 6621(a)(2), the underpayment rate is the sum of the federal short-term rate plus 3 percentage points.

Section 6621(c) provides that for purposes of interest payable under § 6601 on any large corporate underpayment, the underpayment rate under § 6621(a)(2) is determined by substituting "5 percentage points" for "3 percentage points." See § 6621(c) and § 301.6621–3 of the Regulations on Procedure and Administration for the definition of a large corporate underpayment and for the rules for determining the applicable date. Section 6621(c) and § 301.6621–3 are generally effective for periods after December 31, 1990.

Section 6621(b)(1) provides that the Secretary will determine the federal short-term rate for the first month in each calendar quarter.

Section 6621(b)(2)(A) provides that the federal short-term rate determined under § 6621(b)(1) for any month applies during the first calendar quarter beginning after such month.

Section 6621(b)(2)(B) provides that in determining the addition to tax under § 6654 for failure to pay estimated tax for any taxable year, the federal short-term rate that applies during the third month following such taxable year also applies during the first 15 days of the fourth month following such taxable year.

Section 6621(b)(3) provides that the federal short-term rate for any month is the federal short-term rate determined during such month by the Secretary in accordance with § 1274(d), rounded to the nearest full percent (or, if a multiple of ½ of 1 percent, the rate is increased to the next highest full percent).

Notice 88–59, 1988–1 C.B. 546, announced that, in determining the quarterly interest rates to be used for overpayments and underpayments of tax under § 6621, the Internal Revenue Service will use the federal short-term rate based on daily compounding because that rate is most consistent with § 6621 which, pursuant to § 6622, is subject to daily compounding.

Rounded to the nearest full percent, the federal short-term rate based on daily compounding determined during the month of October 1999 is 5 percent. Accordingly, an overpayment rate of 8 percent (7 percent in the case of a corporation) and an underpayment rate of 8 percent are established for the calendar quarter beginning January 1, 2000. The overpayment rate for the portion of a corporate overpayment exceeding $10,000 for the calendar quarter beginning January 1, 2000, is 5.5 percent. The underpayment rate for large corporate underpayments for the calendar quarter beginning January 1, 2000, is 10 percent. These rates apply to amounts bearing interest during that calendar quarter.

The 8 percent rate also applies to estimated tax underpayments for the first calendar quarter in 2000 and for the first 15 days in April 2000.

Interest factors for daily compound interest for annual rates of 5.5 percent, 7 percent, 8 percent, and 10 percent are published in Tables 64, 67, 69, and 73 of Rev. Proc. 95–17, 1995–1 C.B. 556, 618, 621, 623, and 627.

Annual interest rates to be compounded daily pursuant to § 6622 that apply for prior periods are set forth in the tables accompanying this revenue ruling.

DRAFTING INFORMATION

The principal author of this revenue ruling is Raymond Bailey of the Office of Assistant Chief Counsel (Income Tax and Accounting). For further information regarding this revenue ruling, contact Mr. Bailey on (202) 622-6226 (not a toll-free call).

TABLE OF INTEREST RATES

PERIODS BEFORE JUL. 1, 1975 – PERIODS ENDING DEC. 31, 1986

OVERPAYMENTS AND UNDERPAYMENTS

PERIOD	RATE	In 1995–1 C.B. DAILY RATE TABLE
Before Jul. 1, 1975	6%	Table 2, pg. 557
Jul. 1, 1975—Jan. 31, 1976	9%	Table 4, pg. 559
Feb. 1, 1976—Jan. 31, 1978	7%	Table 3, pg. 558
Feb. 1, 1978—Jan. 31, 1980	6%	Table 2, pg. 557
Feb. 1, 1980—Jan. 31, 1982	12%	Table 5, pg. 560
Feb. 1, 1982—Dec. 31, 1982	20%	Table 6, pg. 560
Jan. 1, 1983—Jun. 30, 1983	16%	Table 37, pg. 591
Jul. 1, 1983—Dec. 31, 1983	11%	Table 27, pg. 581
Jan. 1, 1984—Jun. 30, 1984	11%	Table 75, pg. 629
Jul. 1, 1984—Dec. 31, 1984	11%	Table 75, pg. 629
Jan. 1, 1985—Jun. 30, 1985	13%	Table 31, pg. 585
Jul. 1, 1985—Dec. 31, 1985	11%	Table 27, pg. 581
Jan. 1, 1986—Jun. 30, 1986	10%	Table 25 pg. 579
Jul. 1, 1986—Dec. 31, 1986	9%	Table 23, pg. 577

TABLE OF INTEREST RATES

FROM JAN. 1, 1987 – Dec. 31, 1998

	OVERPAYMENTS			UNDERPAYMENTS		
		1995–1 C.B. RATE TABLE PG			1995–1 C.B. RATE TABLE PG	
Jan. 1, 1987—Mar. 31, 1987	8%	21	575	9%	23	577
Apr. 1, 1987—Jun. 30, 1987	8%	21	575	9%	23	577
Jul. 1, 1987—Sep. 30, 1987	8%	21	575	9%	23	577
Oct. 1, 1987—Dec. 31, 1987	9%	23	577	10%	25	579
Jan. 1, 1988—Mar. 31, 1988	10%	73	627	11%	75	629
Apr. 1, 1988—Jun. 30, 1988	9%	71	625	10%	73	627
Jul. 1, 1988—Sep. 30, 1988	9%	71	625	10%	73	627
Oct. 1, 1988—Dec. 31, 1988	10%	73	627	11%	75	629
Jan. 1, 1989—Mar. 31, 1989	10%	25	579	11%	27	581
Apr. 1, 1989—Jun. 30, 1989	11%	27	581	12%	29	583
Jul. 1, 1989—Sep. 30, 1989	11%	27	581	12%	29	583
Oct. 1, 1989—Dec. 31, 1989	10%	25	579	11%	27	581
Jan. 1, 1990—Mar. 31, 1990	10%	25	579	11%	27	581
Apr. 1, 1990—Jun. 30, 1990	10%	25	579	11%	27	581
Jul. 1, 1990—Sep. 30, 1990	10%	25	579	11%	27	581
Oct. 1, 1990—Dec. 31, 1990	10%	25	579	11%	27	581
Jan. 1, 1991—Mar. 31, 1991	10%	25	579	11%	27	581
Apr. 1, 1991—Jun. 30, 1991	9%	23	577	10%	25	579
Jul. 1, 1991—Sep. 30, 1991	9%	23	577	10%	25	579
Oct. 1, 1991—Dec. 31, 1991	9%	23	577	10%	25	579
Jan. 1, 1992—Mar. 31, 1992	8%	69	623	9%	71	625
Apr. 1, 1992—Jun. 30, 1992	7%	67	621	8%	69	623
Jul. 1, 1992—Sep. 30, 1992	7%	67	621	8%	69	623
Oct. 1, 1992—Dec. 31, 1992	6%	65	619	7%	67	621
Jan. 1, 1993—Mar. 31, 1993	6%	17	571	7%	19	573
Apr. 1, 1993—Jun. 30, 1993	6%	17	571	7%	19	573
Jul. 1, 1993—Sep. 30, 1993	6%	17	571	7%	19	573

TABLE OF INTEREST RATES—Continued

FROM JAN. 1, 1987 – Dec. 31, 1998

	OVERPAYMENTS			UNDERPAYMENTS		
		1995–1 C.B.			1995–1 C.B.	
	RATE	TABLE	PG	RATE	TABLE	PG
Oct. 1, 1993—Dec. 31, 1993	6%	17	571	7%	19	573
Jan. 1, 1994—Mar. 31, 1994	6%	17	571	7%	19	573
Apr. 1, 1994—Jun. 30, 1994	6%	17	571	7%	19	573
Jul. 1, 1994—Sep. 30, 1994	7%	19	573	8%	21	575
Oct. 1, 1994—Dec. 31, 1994	8%	21	575	9%	23	577
Jan. 1, 1995—Mar. 31, 1995	8%	21	575	9%	23	577
Apr. 1, 1995—Jun. 30, 1995	9%	23	577	10%	25	579
Jul. 1, 1995—Sep. 30, 1995	8%	21	575	9%	23	577
Oct. 1, 1995—Dec. 31, 1995	8%	21	575	9%	23	577
Jan. 1, 1996—Mar. 31, 1996	8%	69	623	9%	71	625
Apr. 1, 1996—Jun. 30, 1996	7%	67	621	8%	69	623
Jul. 1, 1996—Sep. 30, 1996	8%	69	623	9%	71	625
Oct. 1, 1996—Dec. 31, 1996	8%	69	623	9%	71	625
Jan. 1, 1997—Mar. 31, 1997	8%	21	575	9%	23	577
Apr. 1, 1997—Jun. 30, 1997	8%	21	575	9%	23	577
Jul. 1, 1997—Sep. 30, 1997	8%	21	575	9%	23	577
Oct. 1, 1997—Dec. 31, 1997	8%	21	575	9%	23	577
Jan. 1, 1998—Mar. 31, 1998	8%	21	575	9%	23	577
Apr. 1, 1998—Jun. 30, 1998	7%	19	573	8%	21	575
Jul. 1, 1998—Sep. 30, 1998	7%	19	573	8%	21	575
Oct. 1, 1998—Dec. 31, 1998	7%	19	573	8%	21	575

TABLE OF INTEREST RATES

FROM JANUARY 1, 1999 – PRESENT

NONCORPORATE OVERPAYMENTS AND UNDERPAYMENTS

		1995–1 C.B	
	RATE	TABLE	PAGE
Jan. 1, 1999—Mar. 31, 1999	7%	19	573
Apr. 1, 1999—Jun. 30, 1999	8%	21	575
Jul. 1, 1999—Sep. 30, 1999	8%	21	575
Oct. 1, 1999—Dec. 31, 1999	8%	21	575
Jan. 1, 2000—Mar. 31, 2000	8%	69	623

TABLE OF INTEREST RATES

FROM JANUARY 1, 1999 – PRESENT

CORPORATE OVERPAYMENTS AND UNDERPAYMENTS

	OVERPAYMENTS			UNDERPAYMENTS		
		1995–1 C.B.			1995–1 C.B.	
	RATE	TABLE	PG	RATE	TABLE	PG
Jan. 1, 1999—Mar. 31, 1999	6%	17	571	7%	19	573
Apr. 1, 1999—Jun. 30, 1999	7%	19	573	8%	21	575
Jul. 1, 1999—Sep. 30, 1999	7%	19	573	8%	21	575
Oct. 1, 1999—Dec. 31, 1999	7%	19	573	8%	21	575
Jan. 1, 2000—Mar. 31, 2000	7%	67	621	8%	69	623

TABLE OF INTEREST RATES FOR
LARGE CORPORATE UNDERPAYMENTS
FROM JANUARY 1, 1991 - PRESENT

	RATE	1995–1 C.B. TABLE	PG
Jan. 1, 1991—Mar. 31, 1991	13%	31	585
Apr. 1, 1991—Jun. 30, 1991	12%	29	583
Jul. 1, 1991—Sep. 30, 1991	12%	29	583
Oct. 1, 1991—Dec. 31, 1991	12%	29	583
Jan. 1, 1992—Mar. 31, 1992	11%	75	629
Apr. 1, 1992—Jun. 30, 1992	10%	73	627
Jul. 1, 1992—Sep. 30, 1992	10%	73	627
Oct. 1, 1992—Dec. 31, 1992	9%	71	625
Jan. 1, 1993—Mar. 31, 1993	9%	23	577
Apr. 1, 1993—Jun. 30, 1993	9%	23	577
Jul. 1, 1993—Sep. 30, 1993	9%	23	577
Oct. 1, 1993—Dec. 31, 1993	9%	23	577
Jan. 1, 1994—Mar. 31, 1994	9%	23	577
Apr. 1, 1994—Jun. 30, 1994	9%	23	577
Jul. 1, 1994—Sep. 30, 1994	10%	25	579
Oct. 1, 1994—Dec. 31, 1994	11%	27	581
Jan. 1, 1995—Mar. 31, 1995	11%	27	581
Apr. 1, 1995—Jun. 30, 1995	12%	29	583
Jul. 1, 1995—Sep. 30, 1995	11%	27	581
Oct. 1, 1995—Dec. 31, 1995	11%	27	581
Jan. 1, 1996—Mar. 31, 1996	11%	75	629
Apr. 1, 1996—Jun. 30, 1996	10%	73	627
Jul. 1, 1996—Sep. 30, 1996	11%	75	629
Oct. 1, 1996—Dec. 31, 1996	11%	75	629
Jan. 1, 1997—Mar. 31, 1997	11%	27	581
Apr. 1, 1997—Jun. 30, 1997	11%	27	581
Jul. 1, 1997—Sep. 30, 1997	11%	27	581
Oct. 1, 1997—Dec. 31, 1997	11%	27	581
Jan. 1, 1998—Mar. 31, 1998	11%	27	581
Apr. 1, 1998—Jun. 30, 1998	10%	25	579
Jul. 1, 1998—Sep. 30, 1998	10%	25	579
Oct. 1, 1998—Dec. 31, 1998	10%	25	579
Jan. 1, 1999—Mar. 31, 1999	9%	23	577
Apr. 1, 1999—Jun. 30, 1999	10%	25	579
Jul. 1, 1999—Sep. 30, 1999	10%	25	579
Oct. 1, 1999—Dec. 31, 1999	10%	25	579
Jan. 1, 2000—Mar. 31, 2000	10%	73	627

TABLE OF INTEREST RATES FOR CORPORATE
OVERPAYMENTS EXCEEDING $10,000
FROM JANUARY 1, 1995 – PRESENT

	RATE	1995–1 C.B TABLE	PG
Jan. 1, 1995—Mar. 31, 1995	6.5%	18	572
Apr. 1, 1995—Jun. 30, 1995	7.5%	20	574
Jul. 1, 1995—Sep. 30, 1995	6.5%	18	572
Oct. 1, 1995—Dec. 31, 1995	6.5%	18	572
Jan. 1, 1996—Mar. 31, 1996	6.5%	66	620
Apr. 1, 1996—Jun. 30, 1996	5.5%	64	618
Jul. 1, 1996—Sep. 30, 1996	6.5%	66	620
Oct. 1, 1996—Dec. 31, 1996	6.5%	66	620
Jan. 1, 1997—Mar. 31, 1997	6.5%	18	572
Apr. 1, 1997—Jun. 30, 1997	6.5%	18	572
Jul. 1, 1997—Sep. 30, 1997	6.5%	18	572
Oct. 1, 1997—Dec. 31, 1997	6.5%	18	572
Jan. 1, 1998—Mar. 31, 1998	6.5%	18	572
Apr. 1, 1998—Jun. 30, 1998	5.5%	16	570
Jul. 1. 1998—Sep. 30, 1998	5.5%	16	570
Oct. 1, 1998—Dec. 31, 1998	5.5%	16	570
Jan. 1, 1999—Mar. 31, 1999	4.5%	14	568
Apr. 1, 1999—Jun. 30, 1999	5.5%	16	570
Jul. 1, 1999—Sep. 30, 1999	5.5%	16	570
Oct. 1, 1999—Dec. 31, 1999	5.5%	16	570
Jan. 1, 2000—Mar. 31, 2000	5.5%	64	618

Section 7701.—Definitions

26 CFR 301.7701–3: Classification of certain business entities.

DEPARTMENT OF THE TREASURY
Internal Revenue Service
26 CFR Part 301

T.D. 8844

Treatment of Changes in Elective Entity Classification

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final regulations.

SUMMARY: This document contains final regulations describing how elective changes in classification will be treated for federal tax purposes. The final regulations affect business entities and their members. The final regulations provide guidance to taxpayers who elect to change an entity's classification for federal tax purposes.

DATES: *Effective Date:* These regulations are effective November 29, 1999.

Applicability Dates: These regulations apply on or after November 29, 1999. However, taxpayers may choose to apply certain provisions in these regulations before November 29, 1999 as specified in §301.7701–2(e) and §301.7701–3(g)(4).

FOR FURTHER INFORMATION CONTACT: Concerning the regulations, Dan Carmody, (202) 622-3080 (not a toll-free number); concerning international issues, Mark Harris, (202) 622-3860 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

On October 28, 1997, proposed amendments to the regulations (REG–105162–97, 1997–2 C.B. 649) under §§301.6109–1, 301.7701–2, and 301.7701–3 were published in the **Federal Register** (62 F.R. 55768). A number of comments were received on the proposed regulations. The public hearing scheduled for February 24, 1998, was canceled because no one requested to speak. After considering the submitted comments, the IRS and Treasury adopt the proposed amendments to the regulations under §§301.6109–1, 301.7701–2, and 301.7701–3 as revised by this Treasury decision.

Explanation of Provisions

I. *Characterization of Elective Changes in Classification*

There are four possible changes in classification of an eligible entity by election under §301.7701–3: (i) a partnership elects to be an association taxable as a

corporation (association); (ii) an association elects to be a partnership; (iii) an association elects to be disregarded as an entity separate from its owner (disregarded entity); and (iv) a disregarded entity elects to be an association. The proposed regulations provide a form that each elective conversion would be treated as having for federal tax purposes. Under the proposed regulations, there is only one form for each elective conversion, and taxpayers could not elect to have a different form apply to the elective conversion.

A. Elective Conversions Treated as Having One Form

Commentators recommended that taxpayers be allowed to choose which form to apply to an elective conversion. This would allow taxpayers to avoid having to take the actual steps of a conversion to produce the most favorable tax results. A commentator suggested that the lack of choice in the proposed regulations is inconsistent with the intent of the check-the-box regulations, which adopted an elective regime for classifying eligible entities.

Because elective conversions are transactions without actual form, the IRS and Treasury believe that it is appropriate to provide that only one transaction form will be applied to each type of elective conversion. Furthermore, while the check-the-box regulations provide an elective regime for classifying eligible entities, the elective regime was not intended to substitute for actual transactions in all situations. Instead, the purpose of implementing the regime was to simplify an area of the law where legal distinctions previously drawn in determining an entity's classification were no longer meaningful. While the factors considered under prior law did not meaningfully distinguish between business organizations, taxpayers still were required to expend considerable resources to ensure that they obtained the classification they desired. Small business organizations often lacked the resources and expertise to achieve their desired tax classification. This was viewed as unfair. The IRS was also expending considerable resources providing guidance on these classification issues. These same concerns generally are not present in determining the form of a conversion transaction. Therefore, the final regulations maintain only one form for each type of elective conversion.

B. Form of Conversion From Association to Partnership

The proposed regulations provide that an elective conversion of an association to a partnership is deemed to have the following form: The association distributes all of its assets and liabilities to its shareholders in liquidation of the association, and immediately thereafter, the shareholders contribute all of the distributed assets and liabilities to a newly formed partnership.

A commentator suggested that the proposed form for an elective conversion of an association to a partnership may not minimize the tax consequences of such a conversion under certain circumstances. The commentator suggested that the proposed form should be available as an election, but that the default form should be a deemed transfer of assets and liabilities from the electing corporation to a newly formed partnership for interests in the partnership followed immediately by a liquidation of the electing corporation.

The IRS and Treasury believe that under current law a voluntary formless change from an association to a partnership should be treated as a liquidation of the corporation followed by a contribution of assets to the partnership. See Rev. Rul. 63–107 (1963–2 C.B. 71). Moreover, if the assets were deemed contributed by the electing corporation to the partnership for partnership interests followed by a liquidation of the corporation, the application of section 704(c) (contribution of appreciated property), section 708 (partnership termination), and section 754 (elective adjustments to the basis of partnership assets) could be somewhat complex and difficult for taxpayers and the IRS to administer. Therefore, the proposed form for the elective conversion of an association to a partnership is adopted without change.

C. Timing of Elective Changes in Classification

The proposed regulations provide that a classification election takes effect at the start of the day for which the election is effective. Any transactions that are deemed to occur because of a change in classification are treated as occurring immediately before the close of the day before the effective date of the election. The owners of the entity when the election is effective may be different from the owners of the entity when the conversion transactions are deemed to occur. To ensure that the taxpayers who recognize the tax consequences of a conversion election approve of the election, the proposed regulations require that the election be signed by every owner on the date of the deemed conversion transactions.

A commentator indicated that purchasers who wish to make a classification election effective as of their first day of ownership may endure a burden in obtaining the consents of previous owners. The commentator recommended that the deemed conversion transactions be treated as occurring at the start of the day for which the election is effective, eliminating the need to obtain the consent of prior owners. Under this suggestion, purchasers of an association who wish to elect partnership treatment effective as of the first day of ownership would be treated as owning both stock and partnership interests on that first day of ownership. This would result in the purchasers being responsible for a corporate return for their transitory period of corporate ownership. See §1.6012–2.

The IRS and Treasury intended that the proposed timing rule generally would be beneficial for taxpayers. The IRS and Treasury believe that any burden imposed by this rule is outweighed by the transactional flexibility that this rule provides. Accordingly, the suggested change to the timing rule is not adopted.

Another commentator noted a conflict between the proposed timing rule and the deemed transactions under section 338. Section 338 allows a purchasing corporation to treat its stock purchase of another corporation as an asset purchase. Under section 338, a purchasing corporation may elect to treat the target corporation as (1) selling its assets at fair market value on the acquisition date, and (2) a new corporation that purchased all of the assets at the beginning of the day after the acquisition date. If the purchaser also makes a classification election for the target effective for the purchaser's first day of ownership, the timing of the deemed liquidation under §301.7701–3(g)(1) would conflict

with the timing of the deemed transactions required by section 338.

To address the issue, the final regulations specify that if section 338 applies, an election to convert the target corporation's classification cannot be effective before the day after the acquisition date of the target corporation. Additionally, the deemed liquidation and conversion under §301.7701–3(g)(1) will occur immediately after the completion of the section 338 transactions. These rules follow the approach of §1.338–2(c)(1)(i), which provides that when a target corporation liquidates on the acquisition date, the liquidation is treated as occurring on the following day and immediately after the deemed purchase of assets. If a taxpayer makes an election under section 338 (without a section 338(h)(10) election) regarding a target corporation that is subsequently deemed liquidated under these final regulations, the target corporation must file a final or deemed sale return as a C corporation reflecting the deemed sale. See §1.338–1(e).

Commentators also expressed concern over the effect the proposed timing rule would have on a sequence of elections when a number of corporations are owned through a single ownership chain. If the elections are all effective for the same date, the effect of the interaction of the timing rule with section 332 is unclear. For example, P corporation owns 100 percent of the interest of an eligible entity classified as an association (S1), which owns directly 100 percent of the interest of an eligible entity classified as an association (S2). P wants to convert S1 and S2 to disregarded entities on the same day; however, if both deemed liquidations are treated as occurring simultaneously, it is not clear that section 332 nonrecognition treatment would be available for both liquidations. The final regulations clarify that in such a situation, unless another order is specified for the elections, S1 will be treated as liquidating into P immediately before S2 liquidates into P.

Commentators suggested that this situation could be addressed by allowing taxpayers to make elections effective by the hour, instead of only at the start of the day. The IRS and Treasury believe that the clarification in the final regulations appropriately addresses the treatment of successive elections. Therefore, the final regulations maintain the rule that conversion elections take effect at the start of the day on which the election is effective.

II. *Taxpayer Identifying Numbers and Disregarded Entities*

The proposed regulations provide clarification of the rules regarding taxpayer identifying numbers (TINs). The proposed regulations restate the rule that when an entity's classification changes under §301.7701–3, it retains its employer identification number (EIN). The proposed regulations also clarified the rule that a disregarded entity must use its owner's TIN for federal tax purposes. Furthermore, when a disregarded entity becomes respected as a separate entity, it must use its own EIN and not the TIN of the single owner.

One commentator asked for clarification regarding the use of TINs and EINs in the proposed regulations. TINs include EINs, social security numbers (SSNs), and IRS individual taxpayer identification numbers (ITINs). The regulations require that a disregarded entity report under the owner's TIN. The regulations refer to a taxpayer's TIN because the term TIN encompasses not only an EIN, but also an SSN and an ITIN.

Another commentator suggested that the proposed regulations were too restrictive and prohibited a disregarded entity from applying for and receiving its own TIN. The regulations do not prevent a single member disregarded entity from applying for and receiving its own TIN. The regulations merely provide that, except as otherwise provided in regulations or other guidance, the single owner disregarded entity must use the owner's TIN for federal tax purposes and not the EIN of the disregarded entity. Notice 99–6 (1999–3 I.R.B. 1) provides guidance on the limited circumstances under which a disregarded entity may use its own EIN.

III. *Rules for Foreign Entities*

These final regulations also contain rules relating to certain foreign entities.

A. Foreign Per Se Entities

The final check-the-box regulations provided a list of the names of certain foreign business entities that are treated as corporations for federal tax purposes. In response to comments from taxpayers, the proposed regulations clarified those provisions. Specifically, clarifications were made with respect to certain business entities formed in Finland, Malaysia, Malta, Mexico, and Norway. These final regulations adopt the proposed regulation's clarifications.

These final regulations also clarify the treatment of an entity formed in Trinidad and Tobago that is specified in the final check-the-box regulations. Prior to April 1997, Trinidad and Tobago's Companies Act distinguished between public and private limited companies. Effective April 1997, Trinidad and Tobago's Companies Act was amended and now only provides for limited companies (and no longer provides for private limited companies). Accordingly, these final regulations have been modified to take into account that change. The effective date of these final regulations with regard to an entity formed in Trinidad and Tobago has been modified so as not to disadvantage taxpayers who relied on the final check-the-box regulations. These final regulations provide that the rule with regard to an entity formed in Trinidad and Tobago will be effective on or after November 29, 1999. Accordingly, this rule only affects those entities which were formed (or made affirmative elections) on or after November 29, 1999.

These regulations also clarify the exception to per se corporate treatment for Canadian companies and corporations. When the final check-the-box regulations were promulgated, the only company or corporation that could be formed where the liability of all of its members was unlimited pursuant to any federal or provincial statute (as opposed to through side agreements of the members), was a Nova Scotia Unlimited Liability Company (NSULC). However, in order to avoid changing the regulations if any other province, or the federal government, subsequently allowed for the formation of unlimited liability companies by statute, these regulations did not specifically list the NSULC. In response to questions from taxpayers, the regulation is clarified, with effect from January 1, 1997, by specifically naming the NSULC, while still providing for any other unlimited liability company that might subsequently be allowed by any other federal or provincial statute.

B. Foreign Eligible Entities

Proposed regulations that provide a special rule for certain foreign eligible entities are published in REG–110385–99 on page 000. In addition, the IRS and Treasury are still studying what, if any, consequences occur when a foreign eligible entity that is not relevant for federal tax purposes files an entity classification election. The IRS and Treasury continue to request comments on this topic.

IV. *Changes in Number of Members of an Entity*

The proposed regulations provide that an entity's classification may change as a result of a change in the number of its members. Specifically, an eligible entity classified as a partnership will become a disregarded entity when the entity's membership is reduced to one member, and a disregarded entity will be classified as a partnership when the entity has more than one member. The final regulations adopt these provisions without substantive change. Guidance on the federal tax consequences of such changes has been provided in Rev. Rul. 99–5 (1999–6 I.R.B. 8) and Rev. Rul. 99–6 (1999–6 I.R.B. 6).

Effective Date

These regulations are applicable on or after November 29, 1999. In response to comments, however, the final regulations include a provision allowing taxpayers to apply the regulations retroactively for elective entity conversions that occurred before November 29, 1999. Taxpayers may apply the final regulations retroactively only if all taxpayers involved in the transaction follow the regulations. The rules contained in §301.6109–1(h) are applicable as of January 1, 1997. Certain changes to §301.7701–2(b)(8) may be applied before the effective date as specified in §301.7701–2(e).

Special Analyses

It has been determined that this Treasury decision is not a significant regulatory action as defined in Executive Order 12866. Therefore, a regulatory assessment is not required. It also has been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) does not apply to these regulations, and because these regulations do not impose a collection of information on small entities, the Regulatory Flexibility Act (5 U.S.C. chapter 6) does not apply. Therefore, a Regulatory Flexibility Analysis is not required. Pursuant to section 7805(f) of the Internal Revenue Code, the notice of proposed rulemaking preceding these regulations was submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on its impact on small business.

Drafting Information

The principal authors of these regulations are Dan Carmody and Jeff Erickson, Office of Chief Counsel (Passthroughs and Special Industries) and Mark Harris and Philip Tretiak, Office of Associate Chief Counsel (International). However, other personnel from the IRS and Treasury Department participated in their development.

* * * * *

Amendments to the Regulations

Accordingly, 26 CFR part 301 is amended as follows:

PART 301—PROCEDURE AND ADMINISTRATION

Paragraph 1. The authority citation for part 301 continues to read in part as follows:

Authority: 26 U.S.C. 7805 * * *

Par. 2. Section 301.6109-1 is amended as follows:

1. Paragraph (d)(2)(ii) is removed and reserved.

2. Paragraph (h) is redesignated as paragraph (i) and the first sentence of newly designated paragraph (i)(1) is amended by removing the language "paragraph (h)" and adding "paragraph (i)" in its place.

3. A new paragraph (h) is added.

The addition reads as follows:

§301.6109–1 Identifying numbers.

* * * * *

(h) *Special rules for certain entities under §301.7701-3*—(1) *General rule.* Any entity that has an employer identification number (EIN) will retain that EIN if its federal tax classification changes under §301.7701–3.

(2) *Special rules for entities that are disregarded as entities separate from their owners*—(i) *When an entity becomes disregarded as an entity separate from its owner.* Except as otherwise provided in regulations or other guidance, a single owner entity that is disregarded as an entity separate from its owner under §301.7701–3, must use its owner's taxpayer identifying number (TIN) for federal tax purposes.

(ii) *When an entity that was disregarded as an entity separate from its owner becomes recognized as a separate entity.* If a single owner entity's classification changes so that it is recognized as a separate entity for federal tax purposes, and that entity had an EIN, then the entity must use that EIN and not the TIN of the single owner. If the entity did not already have its own EIN, then the entity must acquire an EIN and not use the TIN of the single owner.

(3) *Effective date.* The rules of this paragraph (h) are applicable as of January 1, 1997.

* * * * *

Par. 3. Section 301.7701–2 is amended as follows:

1. Paragraph (b)(8)(i) is amended by revising the entries for Finland, Malta, Norway, and Trinidad and Tobago.

2. Paragraph (b)(8)(ii)(A) is redesignated as paragraph (b)(8)(ii)(A)(1) and is revised.

3. Paragraph (b)(8)(ii)(B) is redesignated as paragraph (b)(8)(ii)(A)(2).

4. Paragraph (b)(8)(ii) heading and introductory text are redesignated as paragraph (b)(8)(ii)(A) heading and introductory text, and a new paragraph heading is added for paragraph (b)(8)(ii).

5. Paragraphs (b)(8)(ii)(A)(3) and (b)(8)(ii)(B) are added.

6. Paragraphs (b)(8)(iii), (b)(8)(iv), and (e) are revised.

The revisions and additions read as follows:

§301.7701–2 Business entities; definitions.

* * * * *

(b) * * *

(8) * * *

(i) * * *

Finland, Julkinen Osakeyhtio/Publikt Aktiebolag

* * * * *

Malta, Public Limited Company

* * * * *

Norway, Allment Aksjeselskap

* * * * *

Trinidad and Tobago, Limited Company

* * * * *

(ii) *Clarification of list of corporations in paragraph (b)(8)(i) of this section*—(A) *Exceptions in certain cases.* * * *

* * * * *

(*1*) With regard to Canada, a Nova Scotia Unlimited Liability Company (or any other company or corporation all of whose owners have unlimited liability pursuant to federal or provincial law).

* * * * *

(*3*) With regard to Malaysia, a Sendirian Berhad.

(B) *Inclusions in certain cases.* With regard to Mexico, the term Sociedad Anonima includes a Sociedad Anonima that chooses to apply the variable capital provision of Mexican corporate law (Sociedad Anonima de Capital Variable).

(iii) *Public companies.* For purposes of paragraph (b)(8)(i) of this section, with regard to Cyprus, Hong Kong, and Jamaica, the term Public Limited Company includes any Limited Company that is not defined as a private company under the corporate laws of those jurisdictions. In all other cases, where the term Public Limited Company is not defined, that term shall include any Limited Company defined as a public company under the corporate laws of the relevant jurisdiction.

(iv) *Limited companies.* For purposes of this paragraph (b)(8), any reference to a Limited Company includes, as the case may be, companies limited by shares and companies limited by guarantee.

* * * * *

(e) *Effective date.* Except as otherwise provided in this paragraph (e), the rules of this section apply as of January 1, 1997. The reference to the Finnish, Maltese, and Norwegian entities in paragraph (b)(8)(i) of this section is applicable on November 29, 1999. The reference to the Trinidadian entity in paragraph (b)(8)(i) of this section applies to entities formed on or after November 29, 1999. Any Maltese or Norwegian entity that becomes an eligible entity as a result of paragraph (b)(8)(i) of this section in effect on November 29, 1999, may elect by February 14, 2000, to be classified for federal tax purposes as an entity other than a corporation retroactive to any period from and including January 1, 1997. Any Finnish entity that becomes an eligible entity as a result of paragraph (b)(8)(i) of this section in effect on November 29, 1999, may elect by February 14, 2000, to be classified for federal tax purposes as an entity other than a corporation retroactive to any period from and including September 1, 1997.

Par. 4. Section 301.7701-3 is amended as follows:

1. A sentence is added at the end of paragraph (c)(1)(iii).

2. A sentence is added at the end of paragraph (c)(1)(iv).

3. Paragraph (c)(2)(iii) is added.

4. A heading is added to paragraph (d)(1).

5. Paragraph (f) is redesignated as paragraph (h) and newly designated paragraph (h)(1) is revised.

6. Paragraphs (f) and (g) are added.

The revision and additions read as follows:

§301.7701-3 Classification of certain business entities.

* * * * *

(c) * * *

(1) * * *

(iii) *Effective date of election.* * * * If a purchasing corporation makes an election under section 338 regarding an acquired subsidiary, an election under paragraph (c)(1)(i) of this section for the acquired subsidiary can be effective no earlier than the day after the acquisition date (within the meaning of section 338(h)(2)).

(iv) *Limitation.* * * * An election by a newly formed eligible entity that is effective on the date of formation is not considered a change for purposes of this paragraph (c)(1)(iv).

* * * * *

(2) * * *

(iii) *Changes in classification.* For paragraph (c)(2)(i) of this section, if an election under paragraph (c)(1)(i) of this section is made to change the classification of an entity, each person who was an owner on the date that any transactions under paragraph (g) of this section are deemed to occur, and who is not an owner at the time the election is filed, must also sign the election. This paragraph (c)(2)(iii) applies to elections filed on or after November 29, 1999.

(d) *Special rules for foreign eligible entities—(1) Definition of relevance.* * * *

* * * * *

(f) *Changes in number of members of an entity*—(1) Associations. The classification of an eligible entity as an association is not affected by any change in the number of members of the entity.

(2) *Partnerships and single member entities.* An eligible entity classified as a partnership becomes disregarded as an entity separate from its owner when the entity's membership is reduced to one member. A single member entity disregarded as an entity separate from its owner is classified as a partnership when the entity has more than one member. If an elective classification change under paragraph (c) of this section is effective at the same time as a membership change described in this paragraph (f)(2), the deemed transactions in paragraph (g) of this section resulting from the elective change preempt the transactions that would result from the change in membership.

(3) *Effect on sixty month limitation.* A change in the number of members of an entity does not result in the creation of a new entity for purposes of the sixty month limitation on elections under paragraph (c)(1)(iv) of this section.

(4) *Examples.* The following examples illustrate the application of this paragraph (f):

Example 1. A, a U.S. person, owns a domestic eligible entity that is disregarded as an entity separate from its owner. On January 1, 1998, *B*, a U.S. person, buys a 50 percent interest in the entity from A. Under this paragraph (f), the entity is classified as a partnership when *B* acquires an interest in the entity. However, *A* and *B* elect to have the entity classified as an association effective on January 1, 1998. Thus, *B* is treated as buying shares of stock on Janu-

ary 1, 1998. (Under paragraph (c)(1)(iv) of this section, this election is treated as a change in classification so that the entity generally cannot change its classification by election again during the sixty months succeeding the effective date of the election.) Under paragraph (g)(1) of this section, *A* is treated as contributing the assets and liabilities of the entity to the newly formed association immediately before the close of December 31, 1997. Because A does not retain control of the association as required by section 351, A's contribution will be a taxable event. Therefore, under section 1012, the association will take a fair market value basis in the assets contributed by *A*, and *A* will have a fair market value basis in the stock received. *A* will have no additional gain upon the sale of stock to *B*, and *B* will have a cost basis in the stock purchased from *A*.

Example 2. (i) On April 1, 1998, *A* and *B*, U.S. persons, form *X*, a foreign eligible entity. *X* is treated as an association under the default provisions of paragraph (b)(2)(i) of this section, and *X* does not make an election to be classified as a partnership. *A* subsequently purchases all of *B*'s interest in *X*.

(ii) Under paragraph (f)(1) of this section, *X* continues to be classified as an association. *X*, however, can subsequently elect to be disregarded as an entity separate from A. The sixty month limitation of paragraph (c)(1)(iv) of this section does not prevent *X* from making an election because *X* has not made a prior election under paragraph (c)(1)(i) of this section.

Example 3. (i) On April 1, 1998, *A* and *B*, U.S. persons, form *X*, a foreign eligible entity. *X* is treated as an association under the default provisions of paragraph (b)(2)(i) of this section, and *X* does not make an election to be classified as a partnership. On January 1, 1999, *X* elects to be classified as a partnership effective on that date. Under the sixty month limitation of paragraph (c)(1)(iv) of this section, *X* cannot elect to be classified as an association until January 1, 2004 (i.e., sixty months after the effective date of the election to be classified as a partnership).

(ii) On June 1, 2000, *A* purchases all of *B*'s interest in *X*. After *A*'s purchase of *B*'s interest, *X* can no longer be classified as a partnership because *X* has only one member. Under paragraph (f)(2) of this section, *X* is disregarded as an entity separate from A when A becomes the only member of *X*. *X*, however, is not treated as a new entity for purposes of paragraph (c)(1)(iv) of this section. As a result, the sixty month limitation of paragraph (c)(1)(iv) of this section continues to apply to *X*, and *X* cannot elect to be classified as an association until January 1, 2004 (i.e., sixty months after January 1, 1999, the effective date of the election by *X* to be classified as a partnership).

(5) *Effective date.* This paragraph (f) applies as of November 29, 1999.

(g) *Elective changes in classification*—(1) *Deemed treatment of elective change*—(i) *Partnership to association.* If an eligible entity classified as a partnership elects under paragraph (c)(1)(i) of this section to be classified as an association, the following is deemed to occur: The partnership contributes all of its assets and liabilities to the association in exchange for stock in the association, and immediately thereafter, the partnership liquidates by distributing the stock of the association to its partners.

(ii) *Association to partnership.* If an eligible entity classified as an association elects under paragraph (c)(1)(i) of this section to be classified as a partnership, the following is deemed to occur: The association distributes all of its assets and liabilities to its shareholders in liquidation of the association, and immediately thereafter, the shareholders contribute all of the distributed assets and liabilities to a newly formed partnership.

(iii) *Association to disregarded entity.* If an eligible entity classified as an association elects under paragraph (c)(1)(i) of this section to be disregarded as an entity separate from its owner, the following is deemed to occur: The association distributes all of its assets and liabilities to its single owner in liquidation of the association.

(iv) *Disregarded entity to an association.* If an eligible entity that is disregarded as an entity separate from its owner elects under paragraph (c)(1)(i) of this section to be classified as an association, the following is deemed to occur: The owner of the eligible entity contributes all of the assets and liabilities of the entity to the association in exchange for stock of the association.

(2) *Effect of elective changes.* The tax treatment of a change in the classification of an entity for federal tax purposes by election under paragraph (c)(1)(i) of this section is determined under all relevant provisions of the Internal Revenue Code and general principles of tax law, including the step transaction doctrine.

(3) *Timing of election*—(i) *In general.* An election under paragraph (c)(1)(i) of this section that changes the classification of an eligible entity for federal tax purposes is treated as occurring at the start of the day for which the election is effective. Any transactions that are deemed to occur under this paragraph (g) as a result of a change in classification are treated as occurring immediately before the close of the day before the election is effective. For example, if an election is made to change the classification of an entity from an association to a partnership effective on January 1, the deemed transactions specified in paragraph (g)(1)(ii) of this section (including the liquidation of the association) are treated as occurring immediately before the close of December 31 and must be reported by the owners of the entity on December 31. Thus, the last day of the association's taxable year will be December 31 and the first day of the partnership's taxable year will be January 1.

(ii) *Coordination with section 338 election.* A purchasing corporation that makes a qualified stock purchase of an eligible entity taxed as a corporation may make an election under section 338 regarding the acquisition if it satisfies the requirements for the election, and may also make an election to change the classification of the target corporation. If a taxpayer makes an election under section 338 regarding its acquisition of another entity taxable as a corporation and makes an election under paragraph (c) of this section for the acquired corporation (effective at the earliest possible date as provided by paragraph (c)(1)(iii) of this section), the transactions under paragraph (g) of this section are deemed to occur immediately after the deemed asset purchase by the new target corporation under section 338.

(iii) *Application to successive elections in tiered situations*. When elections under paragraph (c)(1)(i) of this section for a series of tiered entities are effective on the same date, the eligible entities may specify the order of the elections on Form 8832. If no order is specified for the elections, any transactions that are deemed to occur in this paragraph (g) as a result of the classification change will be treated as occurring first for the highest tier entity's classification change, then for the next highest tier entity's classification change, and so forth down the chain of entities until all the transactions under this paragraph (g) have occurred. For example, Parent, a corporation, wholly owns all of the interest of an eligible entity classified as an association (S1), which wholly owns another eligible entity classified as an association (S2), which wholly owns another eligible entity classified as an association (S3). Elections under paragraph (c)(1)(i) of this section are filed to classify S1, S2, and S3 each as disregarded as an entity separate from its owner effective on the same day. If no order is specified for the elections, the following transactions are deemed to occur under this paragraph

(g) as a result of the elections, with each successive transaction occurring on the same day immediately after the preceding transaction: S1 is treated as liquidating into Parent, then S2 is treated as liquidating into Parent, and finally S3 is treated as liquidating into Parent.

(4) *Effective date.* This paragraph (g) applies to elections that are filed on or after November 29, 1999. Taxpayers may apply this paragraph (g) retroactively to elections filed before November 29, 1999 if all taxpayers affected by the deemed transactions file consistently with this paragraph (g).

(h) *Effective date*—(1) *In general*. Except as otherwise provided in this section, the rules of this section are applicable as of January 1, 1997.

* * * * *

Robert E. Wenzel,
Deputy Commissioner of Internal Revenue.

Approved November 2, 1999.

Jonathan Talisman,
Assistant Secretary of the Treasury.

(Filed by the Office of the Federal Register on November 26, 1999, 8:45 a.m., and published in the issue of the Federal Register for November 29, 1999, 64 F.R. 66580)

Section 7872.—Treatment of Loans with Below-Market Interest Rates

CPI adjustments for below-market loans for 2000. The amount that section 7872(g) of the Code permits a taxpayer to lend to a qualified continuing care facility without incurring imputed interest is adjusted for years 1987-2000. Rev. Rul. 98-59 supplemented and superseded.

Rev. Rul. 99–49

This revenue ruling publishes the amount that § 7872(g) of the Internal Revenue Code permits a taxpayer to lend to a qualifying continuing care facility without incurring imputed interest. The amount is adjusted for inflation for the years after 1986.

Section 7872 generally treats loans bearing a below-market interest rate as if they bore interest at the market rate.

Section 7872(g)(1) provides that, in general, § 7872 does not apply for any calendar year to any below-market loan made by a lender to a qualified continuing care facility pursuant to a continuing care contract if the lender (or the lender's spouse) attains age 65 before the close of the year.

Section 7872(g)(2) provides that, in the case of loans made after October 11, 1985, and before 1987, § 7872(g)(1) applies only to the extent that the aggregate outstanding amount of any loan to which § 7872(g) applies (determined without regard to § 7872(g)(2)), when added to the aggregate outstanding amount of all other previous loans between the lender (or the lender's spouse) and any qualified continuing care facility to which § 7872(g)(1) applies, does not exceed $90,000.

Section 7872(g)(5) provides that, for loans made during any calendar year after 1986 to which § 7872(g)(1) applies, the $90,000 limit specified in § 7872(g)(2) is increased by an inflation adjustment. The inflation adjustment for any calendar year is the percentage (if any) by which the Consumer Price Index (CPI) for the preceding calendar year exceeds the CPI for calendar year 1985. Section 7872(g)(5) states that the CPI for any calendar year is the average of the CPI as of the close of the 12-month period ending on September 30 of that calendar year.

Table 1 sets forth the amount specified in § 7872(g)(2) of the Code. The amount is increased by the inflation adjustment for the years 1987-2000.

REV. RUL. 99–49 TABLE 1

Limit under 7872(g)(2)

Year	*Amount*
Before 1987	$ 90,000
1987	$ 92,200
1988	$ 94,800
1989	$ 98,800
1990	$103,500
1991	$108,600
1992	$114,100
1993	$117,500
1994	$121,100
1995	$124,300
1996	$127,800
1997	$131,300
1998	$134,800
1999	$137,000
2000	$139,700

Note: These inflation adjustments were computed using the All-Urban, Consumer Price Index 1982-1984 base, published by the Bureau of Labor Statistics.

EFFECT ON OTHER DOCUMENTS

Rev. Rul. 98–59, 1998–52 I.R.B. 8, is supplemented and superseded.

DRAFTING INFORMATION

The author of this revenue ruling is Courtney Shepardson of the Office of Assistant Chief Counsel (Financial Institutions and Products). For further information regarding this revenue ruling, contact Ms. Shepardson on (202) 622-3930 (not a toll-free call).

Part III. Administrative, Procedural, and Miscellaneous

Tables for Figuring Amount Exempt from Levy on Wages, Salary, and Other Income

Notice 99–56

1. Table for Figuring Amount Exempt from Levy on Wages, Salary, and Other Income (Forms 668–W, 668–W(c), & 668-W(c)(DO)) 2000

Publication 1494, shown below, provides tables which show the amount of an individual's income that is exempt from a notice of levy used to collect delinquent tax in 2000.

(Amounts are for each pay period.)

Filing Status: Single							
	Number of Exemptions Claimed on Statement						
Pay Period	1	2	3	4	5	6	More Than 6
Daily	27.69	38.46	49.23	60.00	70.77	81.54	16.92 plus 10.77 for each exemption
Weekly	138.46	192.31	246.15	300.00	353.85	407.69	84.62 plus 53.85 for each exemption
Biweekly	276.92	384.62	492.31	600.00	707.69	815.38	169.23 plus 107.69 for each exemption
Semi-monthly	300.00	416.67	533.33	650.00	766.67	883.33	183.33 plus 116.67 for each exemption
Monthly	600.00	833.33	1066.67	1300.00	1533.33	1766.67	366.67 plus 233.33 for each exemption

Filing Status: Unmarried Head of Household							
	Number of Exemptions Claimed on Statement						
Pay Period	1	2	3	4	5	6	More Than 6
Daily	35.58	46.35	57.12	67.88	78.65	89.42	24.81 plus 10.77 for each exemption
Weekly	177.88	231.73	285.58	339.42	393.27	447.12	124.04 plus 53.85 for each exemption
Biweekly	355.77	463.46	571.15	678.85	786.54	894.23	248.08 plus 107.69 for each exemption
Semi-monthly	385.42	502.08	618.75	735.42	852.08	968.75	268.75 plus 116.67 for each exemption
Monthly	770.83	1004.17	1237.50	1470.83	1704.17	1937.50	537.50 plus 233.33 for each exemption

Filing Status: Married Filing Joint (and Qualifying Widow(er)s)							
	Number of Exemptions Claimed on Statement						
Pay Period	1	2	3	4	5	6	More Than 6
Daily	39.04	49.81	60.58	71.35	82.12	92.88	28.27 plus 10.77 for each exemption
Weekly	195.19	249.04	302.88	356.73	410.58	464.42	141.35 plus 53.85 for each exemption
Biweekly	390.38	498.08	605.77	713.46	821.15	928.85	282.69 plus 107.69 for each exemption
Semi-monthly	422.92	539.58	656.25	772.92	889.58	1006.25	306.25 plus 116.67 for each exemption
Monthly	845.83	1079.17	1312.50	1545.83	1779.17	2012.50	612.50 plus 233.33 for each exemption

Filing Status: Married Filing Separate							
	Number of Exemptions Claimed on Statement						
Pay Period	1	2	3	4	5	6	More Than 6
Daily	24.90	35.67	46.44	57.21	67.98	78.75	14.13 plus 10.77 for each exemption
Weekly	124.52	178.37	232.21	286.06	339.90	393.75	70.67 plus 53.85 for each exemption
Biweekly	249.04	356.73	464.42	572.12	679.81	787.50	141.35 plus 107.69 for each exemption
Semi-monthly	269.79	386.46	503.13	619.79	736.46	853.13	153.13 plus 116.67 for each exemption
Monthly	539.58	772.92	1006.25	1239.58	1472.92	1706.25	306.25 plus 233.33 for each exemption

2. Table for Figuring Additional Exempt Amount for Taxpayers at Least 65 Years Old and/or Blind

Additional Exempt Amount

Filing Status	*	Daily	Wkly	Bi-Wkly	Semi-Mo	Monthly
Single or Head of Household	1 2	4.23 8.46	21.15 42.31	42.31 84.62	45.83 91.67	91.67 183.33
Any Other Filing Status	1 2 3 4	3.27 6.54 9.81 13.08	16.35 32.69 49.04 65.38	32.69 65.38 98.08 130.77	35.42 70.83 106.25 141.67	70.83 141.67 212.50 283.33

* ADDITIONAL STANDARD DEDUCTION claimed on Parts 3, 4, & 5 of levy.

Examples

These tables show the amount exempt from a levy on wages, salary, and other income. For example:

1. A single taxpayer who is paid weekly and claims three exemptions (including one for the taxpayer) has $246.15 exempt from levy.

2. If the taxpayer in number 1 is over 65 and writes 1 in the ADDITIONAL STANDARD DEDUCTION space on Parts 3, 4, & 5 of the levy, $267.30 is exempt from this levy ($246.15 plus $21.15).

3. A taxpayer who is married, files jointly, is paid bi-weekly, and claims two exemptions (including one for the taxpayer) has $498.08 exempt from levy.

4. If the taxpayer in number 3 is over 65 and has a spouse who is blind, this taxpayer should write 2 in the ADDITIONAL STANDARD DEDUCTION space on Parts 3, 4, & 5 of the levy. Then, $563.46 is exempt from this levy ($498.08 plus $65.38).

Part IV. Items of General Interest

Notice of Proposed Rulemaking and Notice of Public Hearing

Changes in Entity Classification: Special Rule for Certain Foreign Eligible Entities

REG–110385–99

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice of proposed rulemaking and notice of public hearing.

SUMMARY: This document contains proposed regulations addressing certain transactions that occur within a specified period of time before or after a change in entity classification. The proposed regulations prevent, in limited circumstances, the use of changes in entity classification to alter a taxpayer's Federal tax consequences. Under these regulations, a change in classification by a foreign eligible entity that was originally classified as an association taxable as a corporation (and, but for this regulation, would be classified as an entity disregarded as an entity separate from its owner) will be invalidated in certain limited circumstances. This document also contains a notice of public hearing on these proposed regulations.

DATES: Written comments must be received by February 28, 2000. Requests to speak (with outlines of oral comments) at the public hearing scheduled for January 31, 2000, must be submitted by January 10, 2000.

ADDRESSES: Send submissions to: CC:DOM:CORP:R (REG-110385-99), room 5228, Internal Revenue Service, POB 7604, Ben Franklin Station, Washington, DC 20044. In the alternative, submissions may be hand delivered between the hours of 8 a.m. and 5 p.m. to: CC:DOM:CORP:R (REG-110385-99), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue NW., Washington, DC. Alternatively, taxpayers may submit comments electronically via the Internet by selecting the "Tax Regs" option of the IRS Home Page, or by submitting comments directly to the IRS Internet site at: http://www.irs.ustreas.gov/prod/tax_regs/regslist.html. The public hearing will be held in room 2615, Internal Revenue Building, 1111 Constitution Avenue, NW., Washington, DC.

FOR FURTHER INFORMATION CONTACT: Concerning the regulations, Mark D. Harris, (202) 622-3860 (not a toll-free number); concerning submissions and the hearing, LaNita VanDyke, (202) 622-7180 (not a toll-free number).

Supplementary Information:

Background

This document proposes to amend the current Procedure and Administration Regulations (26 CFR Part 301) relating to the classification of entities for Federal tax purposes. On December 18, 1996, the IRS and the Treasury Department published final regulations (61 FR 66584) relating to the classification of business organizations under section 7701. The regulations (the check-the-box regulations) replaced the increasingly formalistic entity classification rules with a simpler, elective regime. The new rules were designed to ease administrative burdens for taxpayers and the government. They were not, however, intended to change the application of substantive Internal Revenue Code (Code) provisions.

In the preamble to the check-the-box regulations, the IRS and Treasury expressed concern about potential improper uses of the check-the-box regulations involving partnerships:

> [I]n light of the increased flexibility under an elective regime for the creation of organizations classified as partnerships, Treasury and the IRS will continue to monitor carefully the uses of partnerships in the international context and will take appropriate action when partnerships are used to achieve results that are inconsistent with the policies and rules of particular Code provisions or of U.S. tax treaties.

On October 28, 1997, the IRS and Treasury issued a notice of proposed rulemaking (62 FR 55768) under section 7701. These regulations specify the tax consequences resulting from an election to change the Federal tax classification of an eligible entity (the conversion regulations). The conversion regulations also provide that the tax consequences of an elective change in the classification of an entity for Federal tax purposes are determined under all relevant provisions of the Code and general principles of tax law, including the step transaction doctrine. Those final regulations are issued elsewhere in this issue of the Federal Register.

As indicated in the preamble to the check-the-box regulations, the IRS and Treasury have been monitoring the manner in which taxpayers have used the check-the-box regulations since their enactment. The focus has been to determine whether taxpayers use the regulations in a manner inconsistent with the application of any Code provisions, and, if so, what, if any, action is appropriate. The preamble to the check-the-box regulations cited the use of partnerships as a primary concern. However, it has become apparent to the IRS and Treasury that taxpayers may attempt to use entities that are disregarded as entities separate from their owners (disregarded entities), in addition to partnerships, to achieve results, in relation to certain transactions, that are inconsistent with the policies and rules of particular Code sections or tax treaties. These regulations are intended to address inappropriate Federal tax consequences that would otherwise result from certain of these transactions under a number of international provisions of the Code. These provisions include the rules governing source of income under sections 861 through 865, foreign tax credit limitation categories under section 904, the disposition of ownership interests under Subpart F (sections 951 through 964), and outbound transfers under section 367 (in this last case, leading to a different result than that outlined in the example in the preamble to the section 367(a) regulations (63 FR 33550)).

The IRS and Treasury considered several responses to these transactions and determined that a special rule completely revoking the entity's classification as a disregarded entity was the most equitable and administrable approach. Of the responses considered, the IRS and Treasury believe that this approach also gives the greatest certainty to all parties involved in the transactions covered by this rule.

Explanation of Provisions

This special rule is limited in scope. It only applies to "extraordinary transac-

tions" (such as sales of a part or whole interest) that occur within a period commencing one day before and ending 12 months after the date that a foreign eligible entity changed its classification to disregarded entity status, provided that the entity had been classified as an association taxable as a corporation within the 12-month period prior to the extraordinary transaction. The rule also applies to certain "shelf" entities that might be used in an attempt to circumvent the 12-month rule. In these cases, the entity would not be treated as a disregarded entity, and instead would be classified as an association taxable as a corporation for all purposes. The regulations provide rules specifying from what date this classification as an association taxable as a corporation will be applicable. Examples of these provisions are included in the regulations.

This special rule will not apply to an extraordinary transaction if a taxpayer establishes to the satisfaction of the Commissioner that the classification as a disregarded entity does not materially alter the Federal tax consequences of the extraordinary transaction.

The IRS and Treasury do not intend that this regulation will invalidate an entity classification election in the absence of a separate extraordinary transaction, even though the deemed consequences of such election under the conversion regulations may constitute an extraordinary transaction. In the preamble to the conversion regulations, however, the IRS and Treasury requested comments on the appropriate tax consequences of an entity classification election made by a foreign eligible entity that is not relevant for Federal tax purposes (e.g., with respect to the basis of property or earnings and profits of the entity). No comments have been received. The IRS and Treasury continue to study and solicit comments on this important issue and are considering whether, in certain circumstances, the election, combined with another event whereby the entity becomes relevant, should be considered to be inappropriate and, therefore, invalid under these regulations.

If an entity made a classification election pursuant to §301.7701–3(c) to be disregarded, and that election was considered a change in classification, that entity would normally be subject to the 60-month limitation on elections under §301.7701–3(c)(1)(iv). However, if that classification election under §301.7701–3(c) is invalid under this regulation, then the election to be a disregarded entity shall not constitute an election for all Federal tax purposes, including the limitation on elections under §301.7701–3(c)(1)(iv).

These regulations do not prevent the Commissioner from applying all applicable common law doctrines to any extraordinary transaction to which this rule applies, in any administrative or judicial proceeding (and create no inference as to the treatment of such transactions occurring prior to the effective date of these regulations). Conversely, the Commissioner may also provide administrative relief from these regulations by published guidance.

The IRS and Treasury will continue to monitor potentially improper uses of the check-the-box regulations involving partnerships and disregarded entities, and will take appropriate action when such uses achieve results that are inconsistent with the policies and rules of particular Code provisions or of U.S. tax treaties.

This special rule does not apply to the transactions described in the proposed regulations on hybrid branch transactions published in the Federal Register on July 13, 1999 (64 FR 37727), issued pursuant to Notice 98–35 (1998–27 IRB 35). These proposed regulations apply only to dispositions of interests in disregarded entities in extraordinary transactions.

The IRS and Treasury request comments with respect to the special rule contained herein. In particular, the IRS and Treasury request comments on the specific types of transactions which should be excluded from the application of the special rule. When this proposed regulation is finalized, the IRS and Treasury intend to issue guidance that will identify specific transactions that will be excluded from the application of this special rule.

Grandfathered Foreign Per Se Entities

The check-the-box regulations allowed for certain corporations under §301.7701–2(b)(8)(i) to be treated as partnerships if certain conditions enumerated in §301.7701–2(d)(1) were satisfied. However, upon the occurrence of certain events, such an entity's "grandfathered status" could be terminated. See §301.7701–2(d)(3)(i). The IRS and Treasury are concerned that taxpayers have been trafficking in these types of entities. Accordingly, these proposed regulations would add a new provision to §301.7701–2(d)(3)(i) which terminates an entity's "grandfather status" when one or more persons, who were not owners of the entity as of November 29, 1999, become owners of 50 percent or more of the interests in the entity.

Relevance

The check-the-box regulations provide a special rule when the Federal tax classification of a foreign eligible entity is no longer relevant. The rule states that if the classification of a foreign eligible entity which was previously relevant for Federal tax purposes ceases to be relevant for sixty consecutive months, the entity's classification will initially be determined under the default classification when the classification of the foreign eligible entity again becomes relevant (hereinafter 60-month rule). Several practitioners have requested guidance on whether the act of filing an entity classification election (Form 8832, Entity Classification Election) causes an entity to be relevant for purposes of the 60-month rule. Practitioners also have requested clarification regarding whether a newly formed foreign eligible entity, that has never been relevant, is subject to the 60-month rule.

These proposed regulations provide that if a foreign eligible entity files an entity classification election, it is considered relevant on the effective date of the election for purposes of the 60-month rule. However, if the foreign eligible entity is otherwise not relevant within the meaning of §301.7701–3(d)(1)(i), then for purposes of applying the 60-month rule the entity will be considered to be not relevant on the day after the date the entity classification election was effective.

The preamble to the conversion regulations stated that a foreign eligible entity that is not relevant has a Federal tax classification. The proposed regulations clarify that such an entity is subject to the 60-month rule. However, the proposed regulations provide an exception for a foreign eligible entity that was never relevant (within the meaning of §301.7701–3(d)(1)) during its existence.

Such entity's classification will initially be determined pursuant to the provisions of §301.7701–3(b)(2) when the entity first becomes relevant.

Proposed Effective Date

Except as otherwise specified, these regulations are proposed to apply as of the date final regulations are published in the Federal Register.

Special Analyses

It has been determined that this notice of proposed rulemaking is not a significant regulatory action as defined in Executive Order 12866. Therefore, a regulatory assessment is not required. It also has been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) does not apply to these regulations, and because these regulations do not impose a collection of information on small entities, the Regulatory Flexibility Act (5 U.S.C. chapter 6) does not apply. Therefore, a Regulatory Flexibility Analysis is not required. Pursuant to section 7805(f) of the Code, this notice of proposed rulemaking will be submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on its impact on small business.

Comments and Public Hearing

Before these proposed regulations are adopted as final regulations, consideration will be given to any written comments (preferably a signed original and eight (8) copies) that are submitted timely to the IRS. The IRS and Treasury request comments on the clarity of the proposed regulation and how it may be made easier to understand. All comments will be available for public inspection and copying.

A public hearing has been scheduled for January 31, 2000, beginning at 10 a.m., in room 2615, Internal Revenue Building, 1111 Constitution Avenue NW., Washington, DC. Because of access restrictions, visitors will not be admitted beyond the Internal Revenue Building lobby more than 15 minutes before the hearing starts.

The rules of 26 CFR 601.601(a)(3) apply to the hearing.

Persons that wish to present oral comments at the hearing must submit timely written comments and an outline of the topics to be discussed and the time to be devoted to each topic by (preferably a signed original and eight (8) copies) January 10, 2000. However, comments not to be presented at the hearing must be submitted by February 28, 2000.

A period of 10 minutes will be allotted to each person for making comments.

An agenda showing the scheduling of the speakers will be prepared after the deadline for receiving outlines has passed. Copies of the agenda will be available free of charge at the hearing.

Drafting Information

The principal author of these regulations is Mark D. Harris, Office of Associate Chief Counsel (International). However, other personnel from the IRS and Treasury Department participated in their development.

Proposed Amendments to the Regulations

Accordingly, 26 CFR part 301 is proposed to be amended as follows:

PART 301--PROCEDURE AND ADMINISTRATION

Par. 1. The authority citation for part 301 continues to read in part as follows:

Authority: 26 U.S.C. 7805 * * *

Par. 2. Section 301.7701–2 is amended by:

1. Removing the language "or" at the end of paragraph (d)(3)(i)(B).

2. Removing the period at the end of paragraph (d)(3)(i)(C) and adding "; or" in its place.

3. Adding paragraph (d)(3)(i)(D).

4. Adding a sentence at the end of paragraph (e).

The additions read as follows:

§301.7701–2 Business entities; definitions.

* * * * *

(d) * * *

(3) * * *

(i) * * *

(D) The date any person or persons, who were not owners of the entity as of November 29, 1999, own in the aggregate a 50 percent or greater interest in the entity.

* * * * *

(e) *Effective date.* * * * However, paragraph (d)(3)(i)(D) of this section applies on or after the date final regulations are published in the Federal Register.

Par. 3. Section 301.7701–3 is amended as follows:

1. The text of paragraph (d)(1) following the paragraph heading is redesignated as paragraph (d)(1)(i), and a paragraph heading is added for paragraph (d)(1)(i).

2. Paragraph (d)(1)(ii) is added.

3. Paragraph (d)(2) is revised.

4. Paragraphs (d)(3) and (d)(4) are added.

5. Paragraph (h) is redesignated as paragraph (i).

6. A new paragraph (h) is added.

The revision and addition reads as follows:

§301.7701–3 Classification of certain business entities.

* * * * *

(d) *Special rules for foreign eligible entities*—(1) *Definition of relevance*—(i) *General rule.* * * *

(ii) *Deemed relevance*—(A) *General rule.* For purposes of this section, except as provided in paragraph (d)(1)(ii)(B) of this section, a foreign eligible entity that files Form 8832 (Entity Classification Election) shall be deemed to be relevant only on the date the entity classification election is effective.

(B) *Exception.* If a foreign eligible entity is relevant within the meaning of paragraph (d)(1)(i) of this section, then the rule in paragraph (d)(1)(ii)(A) of this section shall not apply.

(2) *Entities that were never relevant.* If a foreign eligible entity's Federal tax classification has never been relevant (as defined in paragraph (d)(1) of this section), then the entity's classification will initially be determined pursuant to the provisions of paragraph (b)(2) of this section when the entity first becomes relevant (as defined in paragraph (d)(1)(i) of this section).

(3) *Special rule when classification is no longer relevant.* If the classification of a foreign eligible entity is not relevant for sixty consecutive months, the entity's classification will initially be determined under the default classification when the classification of the foreign eligible entity becomes relevant. The date that the classification of a foreign entity is not relevant is the date an event occurs that causes the classification to no longer be relevant, or, if no event occurs in a tax-

able year that causes the classification to be relevant, then the date is the first day of that taxable year.

(4) *Effective date.* Paragraphs (d)(1)(ii), (d)(2), and (d)(3) of this section apply on or after the date final regulations are published in the Federal Register.

* * * * *

(h) *Special rule when foreign entities that are disregarded as entities separate from their owner are used in an extraordinary transaction*—(1) *General rule*—(i) *When an eligible entity becomes disregarded as an entity separate from its owner.* Notwithstanding any other provision of this section, a foreign eligible entity classified as an entity that is disregarded as an entity separate from its owner, will instead be classified as an association taxable as a corporation, if—

(A) A 10-percent or greater interest in the foreign eligible entity is sold, exchanged, transferred or otherwise disposed of in one or more transactions (collectively, extraordinary transactions) that occur (or are treated as occurring) in the period commencing one day before and ending 12 months after the effective date of that foreign eligible entity's change in classification to an entity that is disregarded as an entity separate from its owner; and

(B) The foreign eligible entity was previously classified as an association taxable as a corporation at any time within the 12-month period prior to the date of the commencement of the extraordinary transaction.

(ii) *Period of reclassification.* If paragraph (h)(1)(i) of this section applies, the foreign eligible entity shall be treated as an association taxable as a corporation (and no intervening Federal tax classification will be valid) from and including the date that the foreign eligible entity ceased to be classified as an association taxable as a corporation.

(2) *Shelf entities*—(i) *Acquisition of assets from another entity.* A foreign eligible entity, classified as an entity that is disregarded as an entity separate from its owner, will instead be classified as an association taxable as a corporation, if—

(A) It acquires the assets of one or more foreign business entities (which were classified as associations taxable as corporations at any time within the 12-month period prior to the date of the commencement of the extraordinary transaction) in a transaction or series of related transactions in which gain or loss is not recognized (for Federal tax purposes), in whole or in part (acquisition transaction);

(B) After the acquisition transaction (or transactions), the acquired assets comprise more than 80 percent of the value of the assets of the entity that is disregarded as an entity separate from its owner; and

(C) Such entity is subsequently involved in an extraordinary transaction within 12 months of the date on which the acquisition transaction (or the last of such transactions) is completed.

(ii) *Calculation of value of entities.* For purposes of calculating the ratio of assets under paragraph (h)(2)(i)(B) of this section, cash and marketable securities of an entity shall not be included to the extent that the cash and marketable securities exceed the reasonable needs of that entity's business.

(iii) *Period of reclassification.* If paragraph (h)(2)(i) of this section applies, the foreign eligible entity shall be treated as an association taxable as a corporation from and including the date of the acquisition transaction, or, if the acquisition transaction involves a series of related transactions, the date of the last of such transactions.

(3) *Exception.* The rules in paragraphs (h)(1) and (2) of this section will not apply to an extraordinary transaction if a taxpayer establishes to the satisfaction of the Commissioner that the classification as an entity that is disregarded as an entity separate from its owner does not materially alter the Federal tax consequences of the extraordinary transaction. The Commissioner may also provide exceptions to paragraphs (h)(1) and (2) of this section by published guidance (see §601.601(d)(2) of this chapter).

(4) *Examples.* The following examples illustrate the rules of this paragraph (h). These examples assume that all foreign entities (FC) are eligible entities that are classified as associations taxable as corporations, and all U.S. entities (P) are corporations, unless otherwise specified. The examples are as follows:

Example 1. (i) *Facts.* P owns 100 percent of FC1. P plans to sell FC1. An entity classification election under paragraph (c) of this section is made for FC1 such that FC1 is now classified as an entity disregarded as an entity separate from its owner (P). P sells FC1 to an unrelated third party within 12 months of the effective date of the entity classification election.

(ii) *Result.* The sale of FC1, an entity that is disregarded as an entity separate from its owner which was previously classified as an association taxable as a corporation, is an extraordinary transaction, and because it occurred within 12 months of the effective date of the entity classification election, it is subject to the rule of paragraph (h)(1) of this section. Under paragraph (h)(1) of this section, the entity classification election to treat FC1 as an entity that is disregarded as an entity separate from its owner is invalid, and FC1 remains classified as an association taxable as a corporation as if there had been no election to be disregarded as an entity separate from its owner. Therefore, P is taxed as if it sold the stock of FC1, and not the assets of FC1.

Example 2. (i) *Facts.* The facts are the same as *Example 1*, except that an entity classification election is not made for FC1. P wishes to avoid the result in *Example 1*, and not be subject to paragraph (h)(1) of this section. P had formed FC2 two years before the date of the extraordinary transaction. At that time, P had elected for FC2 to be treated as an entity that is disregarded as an entity separate from P. Since that time, FC2 has conducted no business activities and has held no assets. P causes FC1 to merge into FC2 (under foreign law), with FC2 surviving, in a transaction in which gain or loss is not recognized for Federal tax purposes. On the same day, P sells FC2 to an unrelated third party.

(ii) *Result.* The sale of FC2 is an extraordinary transaction. Furthermore, despite the fact that FC2 was formed two years before the date of the extraordinary transaction, paragraph (h)(2) of this section treats FC2 as an association taxable as a corporation. This is because more than 80 percent of FC2's post-merger assets were acquired from FC1. Thus, the extraordinary transaction is subject to the rule of paragraph (h)(2) of this section, and has the same result as *Example 1*.

(5) *Effective date.* This paragraph (h) applies on or after the date final regulations are published in the Federal Register.

* * * * *

Charles O. Rossotti,
Commissioner of Internal Revenue.

(Filed by the Office of the Federal Register on November 26, 1999, 8:45 a.m., and published in the issue of the Federal Register for November 29, 1999, 64 F.R. 66591)

Special Basis Rules for Transfer of Property by a Partnership to a Corporation

Announcement 99–113

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Partial withdrawal of proposed

regulations.

SUMMARY: This document partially withdraws certain proposed regulations relating to special basis adjustments under section 743. The withdrawal is in response to the publication of subsequent proposed regulations (REG–209682–94) addressing the same subject matter.

FOR FURTHER INFORMATION CONTACT: Daniel Carmody at (202) 622-3080 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

On October 28, 1997, the IRS published in the Federal Register (62 FR 55768) proposed regulations under section 743 of the Internal Revenue Code (the proposed regulations). Section 1.743–2 of the proposed regulations addresses the effect of the special basis adjustment under section 743 for partnerships that participate in section 351 exchanges. This issue is addressed in the proposed regulations published in the Federal Register on January 29, 1998 (63 FR 4408), which contain general guidance on basis adjustments under section 743. Therefore, this document withdraws §1.743–2 of the proposed regulations published in the Federal Register on October 28, 1997 (62 FR 55768).

Withdrawal of Proposed Amendments to the Regulations

Accordingly, under the authority of 26 U.S.C. 7805, proposed amendments to 26 CFR part 1 relating to §1.743–2 are withdrawn.

* * * * *

Robert E. Wenzel,
Deputy Commissioner of Internal Revenue.

(Filed by the Office of the Federal Register on November 26, 1999, 8:45 a.m., and published in the issue of the Federal Register for November 29, 1999, 64 F.R. 66591)

Announcement 99–114

Publication 3386, relating to veterans' organizations that are recognized as tax exempt under section 501(c) of the Internal Revenue Code or that are considering applying for recognition of tax exemption, is now available.

Publication 3386, Tax Guide for Veterans' Organizations, provides general information regarding tax exemption under section 501(a) of the Code for unrelated business income, contributions to veterans' organizations, recordkeeping, filing requirements, and group rulings.

You may obtain Publication 3386 by calling the IRS at 1-800-829-3676 or through the Internet at www/irs/gov/bus-info/eo.

Definition of Terms

Revenue rulings and revenue procedures (hereinafter referred to as "rulings") that have an effect on previous rulings use the following defined terms to describe the effect:

Amplified describes a situation where no change is being made in a prior published position, but the prior position is being extended to apply to a variation of the fact situation set forth therein. Thus, if an earlier ruling held that a principle applied to A, and the new ruling holds that the same principle also applies to B, the earlier ruling is amplified. (Compare with *modified*, below).

Clarified is used in those instances where the language in a prior ruling is being made clear because the language has caused, or may cause, some confusion. It is not used where a position in a prior ruling is being changed.

Distinguished describes a situation where a ruling mentions a previously published ruling and points out an essential difference between them.

Modified is used where the substance of a previously published position is being changed. Thus, if a prior ruling held that a principle applied to A but not to B, and the new ruling holds that it applies to both A and B, the prior ruling is modified because it corrects a published position. (Compare with *amplified* and *clarified*, above).

Obsoleted describes a previously published ruling that is not considered determinative with respect to future transactions. This term is most commonly used in a ruling that lists previously published rulings that are obsoleted because of changes in law or regulations. A ruling may also be obsoleted because the substance has been included in regulations subsequently adopted.

Revoked describes situations where the position in the previously published ruling is not correct and the correct position is being stated in the new ruling.

Superseded describes a situation where the new ruling does nothing more than restate the substance and situation of a previously published ruling (or rulings). Thus, the term is used to republish under the 1986 Code and regulations the same position published under the 1939 Code and regulations. The term is also used when it is desired to republish in a single ruling a series of situations, names, etc., that were previously published over a period of time in separate rulings. If the new ruling does more than restate the substance of a prior ruling, a combination of terms is used. For example, *modified* and *superseded* describes a situation where the substance of a previously published ruling is being changed in part and is continued without change in part and it is desired to restate the valid portion of the previously published ruling in a new ruling that is self contained. In this case the previously published ruling is first modified and then, as modified, is superseded.

Supplemented is used in situations in which a list, such as a list of the names of countries, is published in a ruling and that list is expanded by adding further names in subsequent rulings. After the original ruling has been supplemented several times, a new ruling may be published that includes the list in the original ruling and the additions, and supersedes all prior rulings in the series.

Suspended is used in rare situations to show that the previous published rulings will not be applied pending some future action such as the issuance of new or amended regulations, the outcome of cases in litigation, or the outcome of a Service study.

Abbreviations

The following abbreviations in current use and formerly used will appear in material published in the Bulletin.

A—Individual.
Acq.—Acquiescence.
B—Individual.
BE—Beneficiary.
BK—Bank.
B.T.A.—Board of Tax Appeals.
C.—Individual.
C.B.—Cumulative Bulletin.
CFR—Code of Federal Regulations.
CI—City.
COOP—Cooperative.
Ct.D.—Court Decision.
CY—County.
D—Decedent.
DC—Dummy Corporation.
DE—Donee.
Del. Order—Delegation Order.
DISC—Domestic International Sales Corporation.
DR—Donor.
E—Estate.
EE—Employee.
E.O.—Executive Order.
ER—Employer.
ERISA—Employee Retirement Income Security Act.
EX—Executor.
F—Fiduciary.
FC—Foreign Country.
FICA—Federal Insurance Contribution Act.
FISC—Foreign International Sales Company.
FPH—Foreign Personal Holding Company.
F.R.—Federal Register.
FUTA—Federal Unemployment Tax Act.
FX—Foreign Corporation.
G.C.M.—Chief Counsel's Memorandum.
GE—Grantee.
GP—General Partner.
GR—Grantor.
IC—Insurance Company.
I.R.B.—Internal Revenue Bulletin.
LE—Lessee.
LP—Limited Partner.
LR—Lessor.
M—Minor.
Nonacq.—Nonacquiescence.
O—Organization.
P—Parent Corporation.
PHC—Personal Holding Company.
PO—Possession of the U.S.
PR—Partner.
PRS—Partnership.
PTE—Prohibited Transaction Exemption.
Pub. L.—Public Law.
REIT—Real Estate Investment Trust.
Rev. Proc.—Revenue Procedure.
Rev. Rul.—Revenue Ruling.
S—Subsidiary.
S.P.R.—Statements of Procedral Rules.
Stat.—Statutes at Large.
T—Target Corporation.
T.C.—Tax Court.
T.D.—Treasury Decision.
TFE—Transferee.
TFR—Transferor.
T.I.R.—Technical Information Release.
TP—Taxpayer.
TR—Trust.
TT—Trustee.
U.S.C.—United States Code.
X—Corporation.
Y—Corporation.
Z—Corporation.

Numerical Finding List[1]

Bulletins 1999–27 through 1999–49

Announcements:

Notices:

Notices—Continued

Proposed Regulations:

Railroad Retirement Quarterly Rate:

Revenue Procedures:

Revenue Rulings:

Revenue Rulings—Continued

Treasury Decisions:

[1] A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 1999–1 through 1999–26 is in Internal Revenue Bulletin 1999–27, dated July 6, 1999.

Finding List of Current Action on Previously Published Items[1]

Bulletins 1999–27 through 1999–49

Announcements:

99–5
Modified by
Ann. 99–106, 1999–45 I.R.B. *561*

99–57
Modified by
Ann. 99–104, 1999–44 I.R.B. *555*

99–59
Corrected by
Ann. 99–67, 1999–28 I.R.B. *31*

Notices:

83–10
Modified by
Notice 99–44, 1999–35 I.R.B. *326*

96–64
Modified by
Notice 99–40, 1999–35 I.R.B. *324*

97–26
Modified by
Notice 99–41, 1999–35 I.R.B. *325*

97–50
Modified and superseded by
Notice 99–41, 1999–35 I.R.B. *325*

97–73
Modified by
Notice 99–37, 1999–30 I.R.B. *124*

98–7
Modified by
Notice 99–37, 1999–30 I.R.B. *124*

98–46
Modified by
Notice 99–37, 1999–30 I.R.B. *124*

98–47
Modified and superseded by
Notice 99–41, 1999–35 I.R.B. *325*

98–54
Modified by
Notice 99–37, 1999–30 I.R.B. *124*

98–59
Modified by
Notice 99–37, 1999–30 I.R.B. *124*

Proposed Regulations:

REG–208156–91
Corrected by
Ann. 99–65, 1999–27 I.R.B. *9*

Revenue Procedures:

65–17
Superseded by
Rev. Proc. 99–32, 1999–34 I.R.B. *296*

65–31
Superseded by
Rev. Proc. 99–32, 1999–34 I.R.B. *296*

70–23
Superseded by
Rev. Proc. 99–32, 1999–34 I.R.B. *296*

Revenue Procedures—Continued

71–35
Superseded by
Rev. Proc. 99–32, 1999–34 I.R.B. *296*

72–22
Superseded by
Rev. Proc. 99–32, 1999–34 I.R.B. *296*

72–46
Superseded by
Rev. Proc. 99–32, 1999–34 I.R.B. *296*

72–48
Superseded by
Rev. Proc. 99–32, 1999–34 I.R.B. *296*

72–53
Superseded by
Rev. Proc. 99–32, 1999–34 I.R.B. *296*

89–48
Obsoleted (after Jan. 31, 2000) by
Notice 99–42, 1999–35 I.R.B. *325*

89–49
Obsoleted (after Jan. 31, 2000) by
Notice 99–42, 1999–35 I.R.B. *325*

96–9
Superseded by
Rev. Proc. 99–28, 1999–29 I.R.B. *109*

96–17
Modified by
Rev. Proc. 99–39, 1999–43 I.R.B. *532*

96–47
Amplified and superseded by
Rev. Proc. 99–40, 1999–46 I.R.B. *565*

97–19
Modified by
Notice 99–41, 1999–35 I.R.B. *325*

97–47
Amplified, clarified, modified, and superseded by
Rev. Proc. 99–39, 1999–43 I.R.B. *532*

98–10
Modified by
Rev. Proc. 99–45, 1999–49 I.R.B. *603*

98–22
Clarified and supplemented by
Rev. Proc. 99–31, 1999–34 I.R.B. *280*

98–35
Superseded by
Rev. Proc. 99–29, 1999–31 I.R.B. *138*

98–37
Superseded by
Rev. Proc. 99–34, 1999–40 I.R.B. *450*

98–63
Modified by Ann. 99–7 and superseded by
Rev. Proc. 99–38, 1999–43 I.R.B. *525*

99–19
Modified and superseded by
Rev. Proc. 99–43, 1999–47 I.R.B. *579*

99–29
Corrected by
Ann. 99–112, 1999–49 I.R.B. *649*

Revenue Rulings:

77–475
Modified and superseded by
Rev. Rul. 99–40, 1999–40 I.R.B. *441*

82–80
Superseded by
Rev. Proc. 99–32, 1999–34 I.R.B. *296*

Revenue Rulings—Continued

84–58
Modified and superseded by
Rev. Rul. 99–40, 1999–40 I.R.B. *441*

88–98
Modified and superseded by
Rev. Rul. 99–40, 1999–40 I.R.B. *441*

88–225
Modified by
Rev. Rul. 99–44, 1999–48 I.R.B. *598*

99–23
Corrected by
Ann. 99–89, 1999–36 I.R.B. *408*

Treasury Decisions:

8476
Corrected by
Ann. 99–74, 1999–30 I.R.B. *133*

8742
Corrected by
Ann. 99–73, 1999–30 I.R.B. *133*

8793
Corrected by
Ann. 99–75, 1999–30 I.R.B. *134*

8805
Corrected by
Ann. 99–66, 1999–27 I.R.B. *9*

8806
Corrected by
Ann. 99–84, 1999–33 I.R.B. *248*

8819
Corrected by
Ann. 99–47, 1999–28 I.R.B. *29*

8823
Corrected by
Ann. 99–86, 1999–35 I.R.B. *332*

8825
Corrected by
Ann. 99–100, 1999–42 I.R.B. *522*

8827
Corrected by
Ann. 99–111, 1999–47 I.R.B. *587*

[1] A cumulative finding list of actions published in Internal Revenue Bulletins 1999–1 through 1999–26 is in Internal Revenue Bulletin 1999–27, dated July 6, 1999.

INSERT

PICTURES

HERE

Superintendent of Documents Publications and Subscriptions Order Form

New Deposit Account?

Order processing code: ***3119**

Check here ☐

NOTE: All prices include regular domestic postage and handling. Subscription prices are subject to change at any time. International customers, please add 25%. To fax your orders (202) 512-2250.

Publications

Qty.	Stock Number	Title	Price Each	Total Price
	021-066-00909-2	Subject Bibliography listing Cum. Bulletins prior to 1988 SB-066	FREE	FREE
	048-004-02277-0	Cum. Bulletin 1988-1 (Jan-June)	$42	
	048-004-02279-6	Cum. Bulletin 1988-2 (July-Dec)	$41	
	048-004-02291-5	Cum. Bulletin 1988-3	$40	
	048-004-02286-9	Cum. Bulletin 1989-1 (Jan-June)	$44	
	048-004-02292-3	Cum. Bulletin 1989-2 (July-Dec)	$40	
	048-004-02295-8	Cum. Bulletin 1990-1 (Jan-June)	$38	
	048-004-02300-8	Cum. Bulletin 1990-2 (July-Dec)	$41	
	048-004-02305-9	Cum. Bulletin 1991-1 (Jan-June)	$44	
	048-004-02309-1	Cum. Bulletin 1991-2 (July-Dec)	$45	
	048-004-02310-5	Cum. Bulletin 1992-1 (Jan-June)	$51	
	048-004-02317-2	Cum. Bulletin 1992-2 (July-Dec)	$47	
		Total for Publications		

Subscriptions

Qty.	List ID	Title	Price Each	Total Price
	N-914	Priority Announcements for Accountants	FREE	FREE
	IRB	Internal Revenue Bulletin	$123	
		Optional—Add $50 to open new Deposit Account and please check box in upper right corner		
		Total Cost of Order		

FUTURE EDITIONS of Internal Revenue Cumulative Bulletins are available through "STANDING ORDER SERVICE." Get these future editions—automatically—without having to initiate a purchase order.

AUTHORIZATION FOR STANDING ORDER SERVICE

I hereby authorize the Superintendent of Documents to charge my:

☐ VISA, ☐ MasterCard, or ☐ Superintendent of Documents Deposit Account for the Standing Order item below selected and shipped to me.

Authorizing signature (Standing Orders not valid unless signed.)

Please print or type your name.

Office Phone Number (_____) _____

Qty.	Standing Order	Title
	ZIRSC	Internal Revenue Cumulative Bulletins

GPO DEPOSIT ACCOUNT

A Deposit Account will enable you to use Standing Order Service to receive subsequent volumes quickly and automatically. For an initial deposit of $50 you can establish your GPO Deposit Account.

☐ **YES!** Open a Deposit Account for me so I can order future publications quickly and easily. I'm enclosing the $50.00 initial deposit.

FREE Priority Announcement Service

You can find out about new publications for tax practitioners and accountants—as they are released—through our FREE Priority Announcement Service. See above.

For privacy protection, check the box below:

☐ Do not make my name available to other mailers

Check method of payment:

☐ Check payable to Superintendent of Documents

☐ GPO Deposit Account ☐☐☐☐☐☐ – ☐

☐ VISA or MasterCard Account

☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐

☐☐☐☐ (Credit card expiration date)

Thank you for your order!

(Authorizing Signature) 4/93

Purchase Order No. _____

(If purchase order included.)

Please type or print

(Company or Personal Name)

(Additional address/attention line)

(Street address)

(City, State, ZIP Code)

(Daytime phone including area code)

Mail To: Superintendent of Documents
P.O. Box 371954, Pittsburgh, PA 15250-7954

Standing Order Service

Just sign the authorization above to charge selected items to your existing Deposit Account, VISA, or MasterCard account. Or open a Deposit Account with an initial deposit of $50 or more. Your account will be charged only as each volume is issued and mailed. Sufficient money must be kept in your account to insure that items are shipped.

Standing Orders remain in effect until canceled in writing (telephone cancellations are accepted but must be followed up with a written cancellation within 10 days) or canceled by the Superintendent of Documents.

Service begins with the next issue released of each item selected. An acknowledgment card is sent for each Standing Order item selected.

INTERNAL REVENUE BULLETIN

The Introduction at the beginning of this issue describes the purpose and content of this publication. The weekly Internal Revenue Bulletin is sold on a yearly subscription basis by the Superintendent of Documents. Current subscribers are notified by the Superintendent of Documents when their subscriptions must be renewed.

CUMULATIVE BULLETINS

The contents of this weekly Bulletin are consolidated semiannually into a permanent, indexed, Cumulative Bulletin. These are sold on a single copy basis and *are not* included as part of the subscription to the Internal Revenue Bulletin. Subscribers to the weekly Bulletin are notified when copies of the Cumulative Bulletin are available. Certain issues of Cumulative Bulletins are out of print and are not available. Persons desiring available Cumulative Bulletins, which are listed on the reverse, may purchase them from the Superintendent of Documents.

HOW TO ORDER

Check the publications and/or subscription(s) desired on the reverse, complete the order blank, enclose the proper remittance, detach entire page, and mail to the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. Please allow two to six weeks, plus mailing time, for delivery.

WE WELCOME COMMENTS ABOUT THE INTERNAL REVENUE BULLETIN

If you have comments concerning the format or production of the Internal Revenue Bulletin or suggestions for improving it, we would be pleased to hear from you. You can e-mail us your suggestions or comments through the IRS Internet Home Page (www.irs.ustreas.gov) or write to the IRS Bulletin Unit, OP:FS:FP:P:1, Room 5617, 1111 Constitution Avenue NW, Washington, DC 20224.
